South Cambridgeshire District Council

Report To:	Cabinet	07 February 2022
Lead Cabinet Member:	Councillor John Williams, Lead Cabinet Member for Finance	
Lead Officer:	Peter Maddock, Head of Finance	

Housing Revenue Account Revenue & Capital Budget: 2022/2023

Executive Summary

1. To consider the summary Housing Revenue Account (HRA) Revenue and Capital Budget for 2022/2023 and to recommend the HRA Budget to Council.

Key Decision

2. This is not a key decision.

Recommendations

3. **That Cabinet is requested to consider the report and, if satisfied, to recommend to Council to:**

Housing Revenue Account (HRA): Revenue

(a) approve the HRA revenue budget for 2022/2023 as shown in the HRA Budget Summary as presented at Appendix A.

HRA: Review of Rents and Charges

(b) Approve that council dwellings rents for all social rented properties be increased by inflation of 3.1%, measured by the Consumer Price Index (CPI) at September 2021, plus 1%, resulting in rent increases of 4.1%, with effect from 4 April 2022.

(c) Approve that affordable rents (inclusive of service charge) are reviewed in line with rent legislation, to ensure that the rents charged are no more than 80% of market rent, with rents for existing tenants increased by no more than inflation of 3.1%, measured by the Consumer Price Index (CPI) at September 2021, plus 1%, resulting in rent increases of up to 4.1%.

Local policy is to cap affordable rents (inclusive of all service charges) at the Local Housing Allowance level. As the Local Housing Allowance was increased significantly in late March 2020, affordable rent increases

will be capped at 4.1% from April 2022, which is still well below the 2022/23 Local Housing Allowances levels.

(d) Approve increase of 2.0% in garage rents for 2022/2023.

(e) Approve the proposed service charges for HRA services and facilities provided to both tenants and leaseholders, as shown in Appendix D.

HRA: Capital

(f) Approve the required level of funding for new build investment between 2022/2023 and 2026/2027 to ensure that commitments can be met in respect of the investment of all right to buy receipts currently retained or anticipated to be received by the authority for this period. This expenditure will take the form of HRA new build, with the 60% top up met by other HRA resources.

(g) Approve the HRA Medium Term Financial Strategy forecasts as shown in Appendix B.

(h) Approve the Housing Capital Programme as shown in Appendix C.

Reason for Recommendations

4. To enable the Cabinet to recommend to Full Council the 2022/2023 HRA Revenue Budget and Capital Programme.

Details

(A) Background

5. The HRA is a ring-fenced area of the Council's activity and represents the landlord activity which the authority carries out as a stock retaining authority.

6. HRA budgets continue to be set in the context of a 30-year business plan, which is reviewed each year. The HRA budget setting report covers both HRA revenue and capital spending. As the authority's landlord account, the HRA accounts for all services to tenants and leaseholders and is the account into which the proceeds of the rent and landlord service charges are credited.

7. Resource available to invest in housing is dependent upon the income streams for the HRA, the most significant of these being the rental income for the housing stock. For the four years ended 31st March 2020, the Council were required to reduce rents by 1% per annum to comply with a national approach to rent setting. From 1st April 2020 rents were permitted to be increased by the total of the September Consumer Prices Index (CPI) plus 1%. This, therefore, equates to a 4.1% increase from 1st April 2022. Rent increases are currently limited to an increase of up to CPI plus 1% from April 2022 for a further 3 years (based upon CPI at the preceding September), with properties below target rent levels moved directly to target rent only when they become void. Target rents continue to be set with reference to January 1999 property values.

8. There is a key requirement to ensure that the HRA can support a significant level of housing debt whilst also ensuring ongoing delivery of housing services. As at April 2021, the authority continued to support a housing debt of £205 million. The current policy does not assume set-aside of resource to allow for repayment of housing debt, but instead assumes the resource is used to deliver a new build programme in the medium term, in an attempt to ensure sustainability of the HRA.

(B) <u>Budget Formulation</u>

9. Consideration needs to be given to the fluid nature of some of the assumptions that are required to be incorporated into the financial forecasting for the HRA, particularly in relation to the impact of changes in national housing policy.

10. Assumptions will need to be continually reviewed and amended as information is made available and any changes in the economic environment become apparent.

11. The budget for 2022/2023 has been constructed in the wider context of the national position for social housing. The Council still seeks to achieve a balance in investment against key housing priorities as follows, although this still proves challenging:

- Investment in the existing housing stock with a commitment to increase energy efficiency, reduce the carbon footprint and increase the sustainability of the Council's properties.
- Investment in the delivery of new affordable homes.
- Spend on landlord services (i.e. housing management, responsive and void repairs).
- Support for, and potential repayment of, housing debt.

12. The draft revenue and capital estimates for the HRA are outlined in detail in **<u>Appendices A to C</u>** of the report.

13. The detailed budgets presented this year are rather different to previous years in that they are now presented as a service area pack. Each pack has a title page, a budget summary, individual budget pages (with similar budgets grouped together) and a subjective analysis which shows the service area spend by type of expenditure.

14. The budget summary gives the total of each of the budget pages and the overall budget for the HRA.

15. The detailed budget pages give some commentary on each service budget to make it clear what the purpose of that particular budget is, along with reference to any bids and savings relating to the budget.

16. The subjective analysis shows the total budget by type of expenditure as defined by the Service reporting code of practice (SeRCOP). SeRCOP is recognised across the local authority sector as the standard way of reporting expenditure and income by type.

17. The budget is divided up into distinct areas known as Cost Centres and these are either Direct Services or Support Services sometimes referred to as frontline or back office. The accounting code requires us to allocate all support services to direct

services and therefore the budget presented represents the total cost of direct services including the support costs relating to them. It is important to note however that cost control and responsibility for support services rests with the service area where the support service resides not the service area where the cost is eventually allocated.

18. The other point to note is the cost of pensions. Some years ago the rules on accounting for pensions changed and from then each service had to bear the cost or value of the pension fund relating to the employees that work in that service area rather than just the employers contributions made relating to those employees. Until 2021/2022 these costs were excluded from the budget and only accounted for in the final accounts. Best practice is to account for them in both and that is what we now do. The 'Current Service Cost' of the pension is a larger number than the employer's contributions paid and therefore has the effect of inflating service budgets. Having said this none of this affects the overall budget as legislation requires the council to charge only the employers contributions to the Housing Revenue Account.

(C) National and Local Policy Context

19. On the 17 November 2020 the Government published a white paper "The Charter for Social Housing Residents" which sets out key areas that every social housing tenant should expect. Much of the responsibility for delivering against the charter sits with the landlord, and the Council is working to ensure delivery against the commitments. The Regulator of Social Housing is leading in developing a strengthened consumer regulation regime and is expected to engage with providers in doing this.

20. Universal Credit continues to cause concern and challenges both for residents and for the Council. The coronavirus pandemic saw an increase in the number of tenants transitioning to Universal Credit as individual's circumstances changed, and nationally there was a steep rise in the number of claims overall. The Council has resources in this budget to support and advise tenants through the transition to Universal Credit.

21. The Council's HRA owns and/or manages the following properties, broken down by category of housing provided:

Housing Category	Actual Stock Numbers as at 1/4/2021	Estimated Stock Numbers as at 1/4/2022
General Housing (Incl. use as Temporary Housing)	4,222	4,278
Sheltered Housing	1,070	1,070
Sheltered Housing – Equity Share	69	69
Miscellaneous Leased Dwellings	3	3
Shared Ownership / FTB Dwellings	95	112
Total Dwellings	**5,459**	**5,532**

22. A breakdown of the housing stock by property type is outlined in the table below:

Stock Category (Property Type)	Actual Stock Numbers as at 1/4/2021	Estimated Stock Numbers as at 1/4/2022
Bedsits	20	20
1 Bed	1,093	1,124
2 Bed	2,417	2,459
3 Bed	1,851	1,851
4 Bed	74	74
5 Bed	1	1
6 Bed	3	3
Total Dwellings	**5,459**	**5,532**

23. The HRA maintains the freehold in respect of flats, sold under the right to buy process on long leases. Services continue to be provided to these properties in respect of repairs and improvements to communal areas and services for common facilities.

24. As at 31 March 2021, the Council held £5,116,631 of right to buy receipts under the retention agreement with the Department for Levelling Up, Housing and Communities (DLUHC). This compares to the balance of £5,866,982.62 at 31 March 2020.

25. The Government has amended the rules regarding the use of the capital receipts arising from the sale of Right to Buy properties and the Council has entered into a new retention agreement that reflects these changes. Under the new rules, receipts will be accounted for annually rather than quarterly and the Council will be now be able to fund up to 40% of new property costs from the receipts and the time limit for using the funds has increased from 3 to 5 years. Whilst up to 40% of the cost of a development can be financed from this source, the balance must be funded from the Council's own resources, or through borrowing, and the receipts cannot be used on replacement dwellings or dwellings receiving any other form of public subsidy.

(D) <u>HRA Resources</u>

26. HRA resources comprise rent, service charges, income from garages/other property, investment income, external funding and earmarked funds. These are each considered below:

(i) Rent: Rent Arrears, Bad Debt Provision and Void Levels

27. Performance in the collection of tenant debt continues to be affected by the impact of the COVID-19 pandemic and more recently there have been delays obtaining court hearings to pursue outstanding debts. At the end of December 2021, current tenant arrears stood at £672,825 and former tenant arrears at £321,253 compared with £619,757 and £266,590 respectively as at 31 March 2021. The position is being monitored, with staff working proactively with tenants in arrears.

28. The level of annual contribution to the bad debt provision was reviewed again as part of the HRA budget, with the contribution set at 0.5% from 2021/2022. This assumption has not been amended as part of this HRA budget setting report.

29. As at 31 March 2021, the provision for bad debt stood at £682,722 representing 77% of the total debt outstanding at the time.

30. The estimated value of rent not collected as a direct result of void dwellings in 2021/2022 is £515,900, representing a void loss of 1.72%. There were several empty homes at the beginning of 2021/22, which required extensive refurbishment before being available for re-let, which led to the higher void loss in 2021/22. The turnaround of properties between tenancies has however improved as the year has progressed.

31. At the end of December 2021, 81 properties were unoccupied, representative of 1.5% of the housing stock.

32. The assumption of 1.1% voids in general housing has been increased to 1.4% as part of this budget setting report.

(ii) Rent: Restructuring and Rent Levels

33. The authority still lets property on two differing rent levels, social rent and affordable rent, with the latter capped locally at the level of the Local Housing Allowance.

34. Property specific rent restructured target social rents apply for the socially rented stock held in the HRA. From 1st April 2021 both the target rent and actual rent increased by CPI plus 1% so the convergence of the actual and target rents, which was abandoned when the 1% rent reduction targets were brought in, will still not happen unless a property becomes void and the rent is moved to target on re-let.

35. The average social rent in 2021/2022, at the time of writing this report, across the socially rented housing stock was £104.94, and after applying the expected increase of 4.1% will become £109.24. At the time of writing this report, 43% of the social rented housing stock was being charged at target rent levels, compared with 41% in the previous year.

36. There are 256 new build or acquired properties charged at the higher ‘affordable rent’ levels with 47 of these being shared ownership homes.

(iii) Rent Setting

37. Rent levels continue to be set by Council in February of each year, following consideration at Cabinet.

38. On 15 November, the Department for Levelling Up, Housing and Communities (DLUHC) updated the Rent Standard guidance that registered providers of social housing must comply with, to update the limit on annual rent increases for 2022 to 2023. The Rent Standard is one of three economic standards that the Regulator of Social Housing (RSH) expects private registered providers of social housing to comply with and applies to local authority providers of social housing. It sets the requirements around how registered providers set and increase rents for social housing in line with government policy as set out in DLUHC's Policy Statement on Rents for Social Housing.

39. In September each year the annual Consumer Price Index (CPI) figure is set which is used to establish the limit on annual rent increases for social housing. The limit on annual rent increases for the financial year 2022/23 will be CPI (3.1%) plus 1% = 4.1%.

40. Affordable rents increases are also limited to a maximum increase of CPI plus 1% from April 2022, but with the ability to re-set the rent at up to 80% of market rent upon re-let. Council policy is to cap affordable rents (inclusive of all service charges) at the Local Housing Allowance level. The average affordable rent in 2021/2022, at the time of writing this report, was £146.22.

(iv) Service Charges

41. Service charges continue to be levied for services that are not true landlord functions, and are provided to some tenants and not others, depending upon the type, nature and location of the property. Some service charges are eligible for housing benefit, depending upon the nature of the service.

42. The approach to setting service charge levels for 2022/2023 is detailed in the report at **Appendix D.**

(v) Other Sources of Income

43. The HRA had 942 residential garages as at 1st April 2021, which are outside the curtilage of the dwelling. Approximately 347 garages were vacant at the time of compiling this report. Several vacant garages have been identified as needing repairs or major works prior to being ready to let, or are being considered for demolition, disposal, self-build sites or redevelopment.

44. A two-tier charging structure is applied for garages, with one rate for garages rented to tenants, and another for rental of garages by others, with the latter being subject to VAT at the prevailing rate. If a tenant holds more than two garages, VAT is also payable.

45. In addition to dwellings held for rent, the HRA has a number of communal rooms in sheltered schemes. Currently the costs of these buildings are recovered through service charges levied to residents. A review of these assets continues to ensure that

they are either well utilised for the purpose intended, or that consideration is given to alternative options for the use of each site, generating an income for the HRA where possible. Extensive consultation is being carried out as part of this review to ensure that all local views are taken account of.

46. The HRA receives interest on general and ear-marked revenue balances, any funds set-aside in the major repairs reserve or the revenue debt repayment reserve, any unapplied capital balances and in respect of any internal lending to the General Fund. The interest rates available to the Council generally remain low, and market recovery is slow, although lending to Ermine Street Housing still provides a better return than lending to external third parties currently.

(vi) Other External Funding

47. In addition to income direct from service users, the HRA anticipates receiving external funding from Section 106 Funding. The Council has a policy in respect of Section 106 Commuted Sums, which allows the first call on these to be to fund the delivery of new build affordable housing in the HRA. The assumption that this funding is utilised to deliver new affordable homes is identified into the Housing Capital Investment Plan.

(vii) Earmarked & Specific Funds: Revenue

48. In addition to General Reserves, the HRA Account still maintains some earmarked or specific funds. Details of the current level of funding in these reserves is shown at **Appendix E**.

49. A Self-Insurance Fund is maintained to mitigate the risks associated with the authority self-insuring its housing stock. Costs in lieu of insurance claims are charged to the HRA in year, with the reserve available to meet any higher than anticipated remedial costs, allowing the HRA time to react to the additional expenditure incurred.

50. A statutory Major Repairs Reserve is credited with depreciation in respect of the housing stock each year, with funding then in the Housing Capital Investment Plan, to meet the capital cost of works to HRA assets, or alternatively to repay housing debt.

51. Change in national housing policy, and the continued desire to invest resource in new build to replace lost stock and appropriately spend retained right to buy receipts, impacts the ability to set-aside resource to repay debt. This means the Council will have no alternative but to refinance a significant proportion of the loan portfolio as each loan matures. The approach of using an ear-marked reserve, as opposed to making a formal voluntary revenue provision, allows the HRA to retain flexibility over the use of the limited resource that is available for set aside in the future.

(viii) Earmarked Funds: Capital Receipts

52. The HRA retains an element from all right to buy receipts over and above those assumed in the self-financing settlement, in recognition of the debt held in respect of the asset. These sums are held in a separate ear-marked capital reserve, allowing them to be utilised to repay debt should the authority so choose, or alternatively reinvest as deemed appropriate.

53. With the Right to Buy Receipt Retention Agreement in force, this reserve ensures that resource is identified for re-investment and, if necessary, repayment purposes.

(E) HRA Revenue Account Budget: Revised Budget 2021/2022

54. Service budgets for the current financial year were reviewed as part of the budget setting process for the coming year to ascertain what the likely balance would be on the Housing Revenue Account at the end of the financial year. The changes are summarised in the table below:

2021/22 Revised Budget	Original Budget Feb-2021 £ 000's	Proposed Changes £ 000's	Revised Jan-2022 £ 000's
Rental Income	(30,200)	285	(29,915)
Other Income	(1,515)	(80)	(1,595)
Supervision and Management	6,493	(172)	6,321
Repairs	4,931	(17)	4,914
Depreciation	6,800	102	6,902
Other Expenditure	1,085	(128)	957
Revenue Funding of Capital Expenditure	13,788	(10,156)	3,632
Loan interest	7,194	(1)	7,193
Interest receivable	(630)	(362)	(992)
IAS 19 (Pension Cost) Reversals	(173)	26	(147)
Transfer from Earmarked Reserves	(8,000)	8,000	0
Revised Net HRA Use of Reserves	**(227)**	**(2,503)**	**(2,730)**

55. The above figures include any rollover approvals from 2020/2021 in the second column along with other amendments listed on a category-by-category basis. The resulting change in the use of reserves is also identified for the current year. The middle column shows the difference between the original and revised budgets. The net reduction in costs for 2021/2022 (note the significantly lower revenue funding of capital expenditure) will result in no transfer from earmarked reserves and a surplus to the HRA reserve.

(F) HRA Revenue Account Budget: Budget 2022/2023

56. The HRA balance at the start of the financial year was just above £2.6 million reducing from previous balances due to the application of funds to the Housebuilding Programme. Whilst this level of balance is adequate for HRA purposes it would not be prudent to let this fall much below £2.5 million.

57. The Council has commenced a transformation programme which will deliver savings across the authority and some of these savings will fall on the HRA services. It will also be necessary to ensure that efficiency savings are sought within the HRA to ensure that the account remains viable so the savings initiatives that were undertaken during this budget process for the General Fund should be extended to encompass the HRA for the next budget cycle.

58. Expenditure excluding capital charges has increased by £889,000 over the 2021/2022 original position, although £440,000 relates to accounting adjustments for pension costs that are reversed out.

59. Income has increased by £1,830,000 as a result of the aforementioned rent increase of 4.1%.

60. The proposed budget is based on an HRA surplus of £2.7 million in 2021/2022 and a deficit of £2.0 million in 2022/2023.

61. The overall revenue budget position for the HRA for 2022/2023 is presented in **Appendix A**. A balanced budget can be set for 2022/2023, with the balance on the account increasing in future years.

(G) Housing Capital Budget

(i) Stock Investment and Decent Homes

62. The Council has recently invested in a new IT system that allows better use of asset management data and once fully implemented will allow more efficient planning of future works, and better integration between revenue (day to day repairs) and capital (investment) for council housing. There is however some concern about the reliability of some of the data that currently exists within the asset management system. A further stock condition survey will therefore be commissioned of all our properties, so that we can review the robustness of our stock condition data, the element lifecycles and costs used. This data will provide key information as to the basis for future stock investment expenditure and associated timescales.

63. As at 31 March 2021, 94.64% of the housing stock was reported as decent, compared with 94.64% at 31 March 2020; with 281 properties that were considered to be non-decent (in addition to refusals by tenants to access the property and undertake the necessary works). In the year to 31 March 2021, access to properties considered to be non-decent was refused by 118 tenants. [figures to be updated]

64. The Council aims to be Carbon Neutral by 2050 which includes the housing stock. As part of the work to explore and trial technical solutions, South Cambridgeshire District Council joined NetZero Collective in 2019, which brings together a number of organisations including the Dept Climate Change, Buildings and Energy, Southampton University and a number of Social Landlords. The Council contributed 5 properties into the first phase of the project to determine the most cost-effective way to retrofit properties to deliver 'netzero' using fabric first approach combined with deployment of renewable technologies These properties were empty at the time and surveys have been completed. In order to create the capacity and capability to deliver retrofit at scale, we are working with NetZero Collective to create a 'blueprint' for a Centre of Excellence for Decarbonisation to present to members.

65. There is no statutory requirement in existing dwellings to provide either smoke or Carbon Monoxide Detectors but it is considered good practice to do so. Therefore, the Council provides smoke detectors to all properties. In addition, Carbon Monoxide Detectors are provided to all properties with gas The Council has allowed in this budget for the full replacement of both wired in CO and smoke detectors on a rolling

programme of 10 years for smoke detectors and 10 years for Carbon Monoxide Detectors. Battery alarms are replaced more frequently, between 5-10 years.

66. The Capital programme has been updated and is reproduced at **Appendix C**.

(ii) New Build and Re-Development

67. At the time of writing this report 189 new homes had been completed since April 2012, all of which were built as affordable rented homes, with a further 58 shared ownership homes also completed:

Scheme	Status	Affordable Rent Units delivered	Scheme Composition
Fen Drayton Road, Swavesey	Completed May 2016	20	4 x 1 Bed House 10 x 2 Bed House 5 x 3 Bed House 1 x 4 Bed House
Horseheath Road, Linton	Completed July 2016	4	1 x 2 Bed Bungalow 2 x 2 Bed Flat 1 x 2 Bed House
Hill Farm, Foxton	Completed January 2017	15	4 x 1 Bed House 6 x 2 Bed House 5 x 3 Bed House
Robinson Court, Gamlingay	Completed August 2018	6 plus 4 shared ownership and 4 market sale	4 x 1 Bed Flat 2 x 2 Bed Flat 2 x 1 Bed House (Shared Ownership) 2 x 2 Bed House (Shared Ownership) 2 x 2 Bed House (Market Sale) 2 x 3 Bed House (Market Sale)
Pampisford Road, Great	Completed April 2018	6 plus 2 shared ownership	2 x 1 Bed Flat 2 x 2 Bed House

Abington			1 x 2 Bed Bungalow 2 x 2 Bed Bungalow (Shared Ownership) 1 x 3 Bed House
Bannold Road, Waterbeach	Completed April 2018	16 plus 7 shared ownership	6 x 1 Bed Flat 6 x 2 Bed Flat 4 x 2 Bed House 2 x 2 Bed House (Shared Ownership) 5 x 3 Bed House (Shared Ownership)
Woodside, Longstanton	Completed April 2019	3	3 x 2 Bed House
Gibson Close, Waterbeach	Completed November 2019	6 plus 3 shared ownership	4 x 1 Bed Flat 2 x 2 Bed House 3 x 2 Bed House (Shared Ownership)
High Street, Balsham	Completed December 2019	9 plus 4 shared ownership	7 x 1 Bed Flat 2 x 2 Bed Flat 4 x 2 Bed House (Shared Ownership)
Highfields, Caldecote	Completed December 2019	3 shared ownership	1 x 1 Bed House 2 x 2 Bed House
Station Road, Foxton	Completed October 2020	6 plus 3 shared ownership	4 x 1 Bed Flat 1 x 2 Bed House 1 x 3 Bed House 2 x 2 Bed House (SO) 1 x 3 Bed House (SO)
Pembroke Way, Teversham	Completed November 2020	5	2 x 1 Bed Flat 1 x 1 Bed Bungalow

			2 x 2 Bed House
Linton Road, Great Abington	Completed December 2020	13 plus 5 shared ownership	6 x 1 Bed Flats 2 x 2 Bed House 5 x 3 Bed House 2 x 2 Bed House (SO) 3 x 3 Bed House (SO)
Burton End, West Wickham	Completed December 2020	3 plus 1 shared ownership	1 x 1 Bed Bungalow 1 x 2 Bed Bungalow 1 x 2 Bed House 1 x 3 Bed House (SO)
Grace Crescent, Hardwick	Completed December 2021	27 plus 12 shared ownership	16 x 1 Bed Flats 9 x 2 Bed Houses 1 x 3 Bed House 1 x 4 Bed House 6 x 2 Bed Flat (SO) 4 x 2 Bed House (SO) 2 x 3 Bed House (SO)
Impington Lane, Impington	Completed October 2021	7 plus 3 shared ownership	6 x 1 Bed Flat 1 x 3 Bed House 2 x 2 Bed House (SO) 1 x 3 Bed House (SO)
Orchard Gardens, Melbourn	Completed December 2021	6 plus 3 shared ownership	2 x 1 Bed Flat 1 x 1 Bed House 3 x 2 Bed House 3 x 3 Bed House (SO)

Castle Camps	Completed September 2021	3 plus 1 shared ownership	2 x 1 Bed House 1 x 2 Bed House 1 x 3 Bed House (SO)
Bennell Farm, Toft	On site	Completed to date: 8 x 1 Bed Flat 9 x 2 Bed Flat 4 x 2 Bed House 2 x 3 Bed House 8 x 2 Bed House (SO) 2 x 3 Bed House (SO) 1 x 4 Bed House (SO)	8 x 1 Bed Flat 9 x 2 Bed Flat 5 x 2 Bed House 3 x 3 Bed House 8 x 2 Bed House (SO) 2 x 3 Bed House (SO) 1 x 4 Bed House (SO)
Babraham Road, Sawston	On site	Completed to date: 6 x 1 Bed Flat 5 x 2 Bed Flat	20 x 1 Bed Flat 21 x 2 Bed Flat 2 x 3 Bed House 1 x 4 Bed House 4 x 1 Bed Flat (SO) 11 x 2 Bed Flat (SO) 3 x 3 Bed House (SO) 1 x 4 Bed House (SO)
Total		**189 rented** **58 shared ownership** **4 market sale**	

68. The table below updates the position in respect of schemes either in progress or with Lead Cabinet Member approval, based upon previous versions of the business plan, confirming their status and the current budget allocation, which is required for each of the schemes, with the budgeted expenditure included at **Appendix C.**

Scheme	**Status**	**Estimated Affordable Units**	**Indicative Scheme Composition (Subject to Change)**	**Scheme Budget (Gross of subsidy / capital receipts)**
Bennell Farm,	On site	2 remaining		

Toft			1 x 2 Bed House 1 x 3 Bed House	
Babraham Road, Sawston	On site	33 plus 19 shared ownership to be completed	14 x 1 Bed Flat 16 x 2 Bed Flat 2 x 3 Bed House 1 x 4 Bed House 4 x 1 Bed Flat (SO) 11 x 2 Bed Flat (SO) 3 x 3 Bed House (SO) 1 x 4 Bed House (SO)	
Emerson Road, Great Abington	On site	3	2 x 2 Bed Flat 1 x 2 Bed House	535,870
High Street, Meldreth	On site	4 plus 3 shared ownership	2 x 2 Bed House 2 x 3 Bed House 3 x 2 Bed House (SO)	1,697,210
Strawberry Farm, Great Abington	Tendering for development partner	2 plus 1 shared ownership	2 x 2 Bed House 1 x 3 Bed House (SO)	795,930
Meadowcroft Way, Orwell	Not in contract yet	4	4 x 1 Bed Flat	626,120

Total		**48 rented** **23 shared ownership**		**2,233,080**

69. There are a number of schemes where feasibility work is being carried out with a view to building out the sites for the HRA directly, or alternatively negotiations are in progress with developers, for the HRA to acquire the affordable housing on existing new build development schemes. These schemes do not yet have formal approval and, as such, have not yet been built into the Housing Capital Investment Plan on a scheme specific basis. Instead, an unallocated new build budget is included, which when a scheme receives Head of Housing and Lead Cabinet Member approval, allows resource to be transferred from this unallocated new build/acquisition budget to the scheme specifically to allow monitoring of progress.

70. Some schemes deliver only new provision of affordable rented housing and, as such, will be eligible for 40% of the scheme to be funded using retained right to buy receipts. Many of these schemes, in order to be planning policy complaint, include a mix of affordable rented and intermediate housing (usually shared ownership). Shared ownership dwellings are part funded using S106 commuted sums if available.

71. The assumption has been retained, that the authority utilise resource previously set-aside for the potential redemption of housing debt, combined with revenue resource that can be released as a result of capital receipts that have been received from the sale of HRA land and dwellings on the open market in recent years, or that are anticipated to be received from the sale of self-build plots, to fund building new homes. This is anticipated to provide sufficient resource to allow the appropriate re-investment of existing and anticipated retained right to buy receipts in the medium term, without the immediate need to pass any funding to a registered provider.

(iii) <u>Self-Build Plots</u>

72. It has been recognised that the effort and cost involved to prepare and market parcels of HRA land for sale as self-build plots is not achieving the desired level of capital receipts. There have been significant delays in concluding sales and to date no plots have been sold in 2021/22. It has therefore been agreed to market plots more widely and we will accept offers from developers as well as self-builders, to achieve the best capital return for the HRA. The capital receipts achieved will then be available for re-investment by the HRA to release resource elsewhere in the capital programme, facilitating the delivery of new homes in the district.

73. Where a suitable parcel of land identified is larger than one plot, we will first consider preparing the land for our own development and the provision of affordable rented homes.

74. 5 sites are currently being progressed with others undergoing investigation and feasibility work.

75. The table below details those sites disposed to date:

Location	Date	Receipt	No. of plots
Benet Cl, Milton	Oct-18	195,000	1
Cambridge Rd, Balsham	Dec-18	171,750	1
St Audreys Close, Histon	Aug-19	151,000	1
Macaulay Avenue, Great Shelford	Sep-19	405,000	3
Blacksmiths Close, Babraham	Dec-19	205,000	1
Westfield Road, Fowlmere	Oct-20	205,000	1
Total		**1,332,750**	**8**

(iv) Section 106 Funding

76. Commuted sum payments received through the planning process, in lieu of the delivery of affordable housing, are made available in the first instance to the HRA to invest in affordable homes.

77. The Council currently holds £2.2 million in commuted sums for affordable housing. The following table provides an update of when current sums held must be spent (year-end prior to deadline date), against the resource committed to date:

Year	Section 106 sum to be spent	Cumulative Section 106 sum to be spent	Resource committed HRA	Cumulative resource still to be committed
	£	£	£	£
2026/27	1,356,420	1,356,420	900,000	456,420
2027/28	0	1,356,420	0	456,420
2028/29	494,614	1,851,034	0	951,034
2029/30	339,654	2,190,688	0	1,290,688
2030/31	44,517	2,235,205	0	1,335,205
	2,235,205		**900,000**	

Commitments to date include:

Scheme	Fund	2021/22 £	2022/23 £
Babraham Road, Sawston – contribution to 19 shared ownership homes	HRA	150,000	150,000
High Street, Meldreth – contribution to 3 shared ownership homes	HRA	75,000	75,000

Orchard Gardens, Melbourn – contribution to 3 shared ownership homes	HRA	0	150,000
Boxworth End, Swavesey - contribution to 4 shared ownership homes	HRA		200,000
Strawberry Farm, Gt Abington - contribution to 1 shared ownership home	HRA		50,000
Bartlow Road,Castle Camps - contribution to 1 shared ownership home	HRA	50,000	
	HRA	**275,000**	**625,000**

78. With £1,335,205 of resource still to be re-invested, there is a commitment to invest the sum in new HRA homes wherever possible.

79. It is likely, although not guaranteed, that the funds will be utilised predominantly to deliver shared ownership or shared equity.

(v) Asset Acquisitions and Disposals

80. The Right to Buy Retention Agreement with the DLUHC allows the acquisition of existing dwellings, as an alternative to building new homes, although new supply remains the priority. Acquisition is a valid option when new build is not possible within an annual deadline for the use of retained receipts. If a decision is taken that there is a risk that new build schemes will not deliver in the required timeframes, resources can be vired from the unallocated new build/acquisition budget into the budget for direct market acquisition. This risk has however been reduced under the new retention agreement, which allows 5 years from the original receipt for right to buy receipts to be spent.

81. Receipts from individual asset disposals are only recognised in the HRA's reserves when received, and after all relevant costs have been provided for. There are assumptions incorporated in the budget about the level of receipts from the sale of self-build plots and HRA land. These capital receipts will allow planned utilisation of the funds to release resource elsewhere in the HRA to facilitate the appropriate reinvestment of retained right to buy receipts.

(vi) Capital Spend and Phasing

82. The updated Capital programme is presented to Cabinet and includes re-profiling and updating the capitalised repairs budgets, new house building budgets and transferring resources from the unallocated sum to schemes that have now been identified.

(H) HRA Treasury Management

(i) Background

83. Statutorily, the HRA is required to set a balanced budget, including recognition of the revenue implications that arise from capital financing decisions.

(ii) HRA Borrowing

84. As at 1 April 2021, the HRA was supporting external borrowing of £205 million in the form of 41 maturity loans with the Public Works Loans Board (PWLB), with rates ranging between 3.44% and 3.53%. The loans have varying maturity dates, with the first £5 million due to be repaid on 28 March 2037 and the last on 28 March 2057.

85. The HRA Capital Financing Requirement (HRA CFR) stood at £204 million due to a small amount (£694,000) of internal borrowing from the HRA by the General Fund. The General Fund is required to pay the HRA annual interest on the internal borrowing as part of the Item 8 Determination for the HRA. The interest rate payable to the HRA can be determined by the authority but must be deemed reasonable and stand up to external scrutiny from auditors.

86. Recent changes in legislation mean that the HRA is no longer subject to a borrowing debt cap. The authority can borrow within its HRA as long as it can demonstrate that the HRA can support the borrowing and that the resource is being utilised in the provision of social or affordable housing. A local debt cap has been calculated at £250 million as at 1st April 2019 rising to £300 million at 31st March 2022.

87. The Council may choose to borrow to deliver additional affordable housing to ensure that it can maintain a programme of new build affordable housing over the longer-term.

88. The 2022/2023 HRA Budget Setting Report does not review the potential sources of lending (i.e. Internal, Inter-Authority, Public Works Loans Board, Market) types of borrowing, lengths of loans or rates available for taking out any additional borrowing at this stage. This will need to be undertaken at the point at which any borrowing is considered as part of the coming year's budgets.

(iii) Debt Repayment/Re-Investment

89. The current debt repayment strategy for the HRA, not to set-aside resource to repay housing debt, but to instead invest resource in new build housing, assumes the need to re-finance the borrowing when loans mature.

90. The potential debt repayment or re-investment reserve stood at £8.5 million as at 1 April 2021 with the current assumption being that this will be re-invested in order to extend the life of the business plan, once other resources are exhausted.

91. Regular consideration will need to be given, in the context of the current financial climate, whether the authority wants to retain the current re-investment strategy or re-consider some element of set-aside if resources allow.

Options

92. There are a number of other options regarding budget setting, but the budget as presented represents the best use of resources within the constraints that exist**.**

Implications

93. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Policy

94. Housing is one of the Council's top priorities, with a commitment to deliver good quality housing which is affordable for people to live in, near to where they work. There are currently 1,665 households on the Council's waiting list, with Council housebuilding continuing to be regarded as a high priority.

Legal

95. The pressure to reduce budgets and the continuation of a poor financial settlement could adversely affect the provision of statutory services. Officers will be required to seek legal advice in relation to a few the national changes in housing policy as the regulations are released by Central Government.

Financial

96. These are outlined in the report and its supporting appendices.

Risk

General

97. An annual update to the assessment of the key risks which the HRA faces in financial terms was included as part of the HRA Medium Term Financial Strategy.

98. The authority maintains a risk register, incorporating specific risks affecting the Housing Revenue Account, considering the likelihood and impact associated with each risk, and the mitigation in place to counteract these. The risk register is regularly reviewed and updated.

99. General reserves are held to help manage risks inherent in financial forecasting. Risks include changes in legislative and statutory requirements, inflation and interest rates, unanticipated service needs, rent and other income shortfalls and emergencies. The reserve allows the authority time to respond to unanticipated events, without an immediate and unplanned impact on service delivery.

100. For the HRA, the minimum level of reserves of £2.5 million is proposed to be retained, recognising the need to safeguard the Council against the risk and uncertainty in the current financial and operational environment for housing.

Environmental

101. There are no environmental implications arising from this report. The Council's housing stock is largely energy-efficient and in a good state of repair and but there is a need to improve it where the Council is able to and keep it in good condition.

Equality Analysis

102. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

103. Further equalities work is being completed. Where that assessment concludes that a proposal has no relevance to the Council's equalities duties then no further action will be taken. Where it is determined that the proposal does have relevance to these duties, a full equality analysis will be undertaken by the relevant service area to establish the impact of the proposal on a protected group or groups and to identify the necessary mitigating actions.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- 2021/2022 Budget Report – Report to Cabinet: 3 February 2021
- Capital Programme Update and New Bids – Report to Cabinet: 6 December 2021
- 2021/2022 Revenue and Capital Budget Monitoring Q2 – Report to Cabinet: 6 December 2021

Appendices

A HRA Revenue Budget 2022/2023: Summary

B HRA Medium Term Financial Strategy: Financial Forecast 2022/2023 to 2026/2027

C HRA Capital Programme 2022/2023 to 2026/2027

D Proposed HRA Service Charges 2022/2023

E HRA Earmarked and Specific Funds

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