



CHELTENHAM
BOROUGH COUNCIL



HRA Business Plan

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Foreword

The long-term Vision for this Housing Revenue Account (HRA) Business Plan is to build a better future for Cheltenham by providing great homes and stronger communities. This plan will ensure there are more affordable and increasingly sustainable homes available, that council tenants will live in high quality homes with excellent services, and that communities are supported to increase opportunity and resilience. This is underpinned by the need to ensure the ongoing viability of the HRA, and the council's ambition for Cheltenham to be CarbonNetZero by 2030.

This five-year HRA Business Plan is part of a 30-year financial plan and will be delivered by our arms-length management organisation, Cheltenham Borough Homes Ltd (CBH). CBH has a record of high-quality delivery and tenant satisfaction, making a difference to the lives of thousands of people across the town. We maintain a strong collaborative relationship with CBH, a trusted local partner and employer with very positive local and national recognition. This plan has been developed with CBH in response to insight gained from our tenants and stakeholders and has been informed by national and local pressures and opportunities to ensure that the right outcomes are being aspired to.

Victoria Atherstone
Cabinet Member
for Housing

CBH maintains a significant and influential position in the lives of thousands of residents across Cheltenham and has developed a high level of trust and satisfaction with our tenants, not only because of what it delivers but how this is done. CBH has a clear sense of purpose that places people at the heart of its activities, inviting their feedback and acting on that, supporting them to maintain their homes and take advantage of opportunities to enhance their lives.

It will be vital that CBH continues to listen closely to the needs of tenants and act appropriately, that it works hand in hand with the council to deliver change and takes advantage of opportunities to add value in support of wider local agendas, whilst ensuring regulatory compliance.

This is a time of significant and ongoing macroeconomic and operating environment change for CBC, CBH and our tenants, and this is predicted to continue for several years. As such careful and ongoing assessment is required to ensure that the pace and scale of the aspirations captured within this document are adjusted so that the longer-term viability of the HRA is protected for our tenants, whilst excellent landlord services and wider support for our tenants during a time of need is delivered.

Steve Slater
CBH CEO

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Introduction

Cheltenham Borough Council (CBC) has developed this five-year Housing Revenue Account (HRA) Business Plan for 2023 to 2028 together with Cheltenham Borough Homes Ltd (CBH), and in partnership with other key stakeholders through a collaborative consultation approach. It sets out the strategic Vision and Aims for our Arms-Length Management Organisation (ALMO) CBH to deliver on our behalf for the next five years of the thirty year financial plan for the HRA



VIALE HRA FINANCIAL PLAN OVER 30 YEARS



5-YEAR DETAILED HRA BUSINESS PLAN

This HRA Business Plan identifies how, together with CBH, we can continue to evolve in response to a rapidly changing national environment and social housing sector, understand and meet customers' needs, and continue to provide more affordable, sustainable and high-quality homes, and create stronger and more resilient communities, building a better future for Cheltenham. CBH will continue to achieve high performance and satisfaction levels, ensuring 100% legislative compliance, and maintaining a HRA that is viable in the long term. The HRA Business Plan is well placed to support the five CBC key priorities from the Corporate Plan (2023-2027) and has been developed to ensure the outcomes contribute to and support the wider strategic aims for Cheltenham. This plan is key in supporting the ambitions to reduce Cheltenham's carbon emissions to net zero, to build a better future by leaving a legacy of sustainability for future generations. This ambition runs throughout the three aims of the business plan and is a focus for the next five years, to work with CBH to make Cheltenham net zero.

It has been produced at a time of unprecedented and ongoing change for social housing, which includes substantial regulatory changes as a consequence of the Social Housing White Paper; and socio-economic impacts following the Covid-19 pandemic, and as a consequence of the emerging cost of living crisis. The ambitions of this plan must be balanced against this challenging backdrop, and we are committed to proactive and ongoing dialogue with CBH during the delivery of the plan to get the scale and pact of investment in the HRA right. CBH will maintain a clear forward look across the priorities and challenges to inform those discussions and be flexible and agile to respond to changes where necessary.

It is vital customers' voices are at the centre of service development and delivery and CBH will ensure customers have opportunities to make their voices heard, listen carefully to what they have to say about their needs, or what CBH has got right or wrong, and then act on that feedback. CBH has the privilege of working daily in peoples' homes and communities and being an important part of their lives, helping them overcome challenges and provide contact and wider support. It is vital they remain people-focused, treat people well and foster openness and trust, and demonstrate a caring and proactive approach.

Shaping the plan

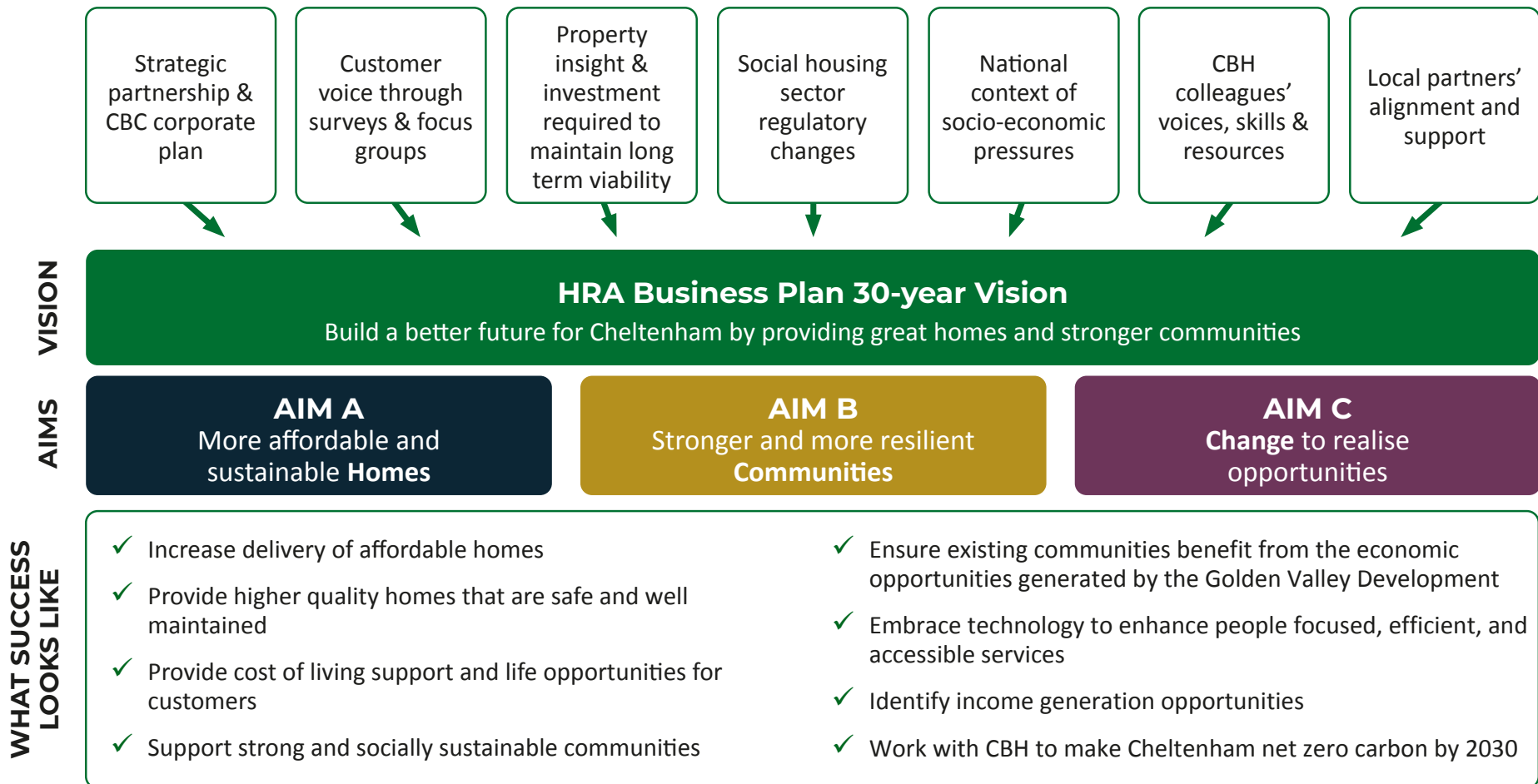
The strategic aims and outcomes of the HRA Business Plan have been arrived at with key stakeholder involvement and have been shaped by insight and considerable input by listening to the views across our partnerships. This includes alignment to;

- the Corporate Plan
- Climate emergency Supplementary Planning Document (SPD)
- customer consultation feedback
- property insight linked to the CBH Asset Management Plan,
- CBH colleague feedback
- local priorities for our partners in Cheltenham
- housing sector specific insight specifically around regulatory changes and increased scrutiny
- national policy changes and consideration of the socio-economic pressures and understanding their financial impact for Cheltenham

Appendix B provides detail on each of these insight areas, demonstrating the consultative and collaborative journey behind the detail within this HRA business plan, ultimately giving assurance of our ability to deliver services, investment and support, where it is needed most in our communities.

Delivery Plan

The aims and outcomes of the HRA Business Plan will be implemented and delivered over the course of the next five years. Most of the identified outcomes are either in progress or will be progressed within year one of the plan. The journey towards achieving each measure of success will be reported upon in the annual monitoring process. Any outcomes that have not progressed in year one will be highlighted through the same reporting mechanisms.





DELIVERING AIM A:

More affordable and sustainable homes

We will support tenants and their families to live in well maintained and sustainable homes. These will be safe, secure, and of a high quality. In partnership with CBH we will proactively seek to increase the delivery of more affordable and sustainable homes for the town, by delivering a multifaceted approach through council owned land-led schemes wherever possible to enable better place shaping, good design, stronger communities and to meet the council's net zero carbon delivery target, as well as progressing Section 106 with developers and other acquisitions.

What success looks like

- ✓ Increase delivery of affordable homes
- ✓ Provide higher quality homes that are safe and well-maintained
- ✓ Work with CBH to make Cheltenham net zero carbon by 2030

Measures of success

- ✓ Delivered 450 additional affordable homes (over 5 years)
- ✓ Invested a further £80m of the £180m Housing Investment Plan
- ✓ Maintained 100% decent homes (of the current decent homes standard)
- ✓ Delivered 100% compliance on building safety Tenant Satisfaction Measures (TSMs)
- ✓ Worked towards delivering 100% of EPC C by 2030
- ✓ Delivered carbon net zero new homes on 100% of CBC land-led sites

Increase delivery of affordable homes

- ✓ Working in partnership with CBH, we are increasing the number of affordable homes through our £180m housing investment plan, which will continue to increase the number of affordable net zero carbon homes on CBC owned sites and seek to achieve additionality on these sites.
- ✓ Continue to work in close collaboration with CBH to deliver affordable homes on the Golden Valley Development, as part of CBC's overall land led development
- ✓ Acquisition of homes for sale, such as ex-council homes, for conversion into affordable housing.
- ✓ Work in partnership with CBH to seek to reduce long-term empty homes across Cheltenham e.g. through Compulsory Purchase Order.
- ✓ Explore opportunities to secure 'additionality' on s.106 schemes by working with private developers to acquire additional affordable homes over and above that which would be delivered through the s.106 agreement alone.
- ✓ Maximise opportunities for regeneration and redevelopment of housing estates and other sites across Cheltenham, which could include investigating changes in the use of land around the town.

Provide higher quality homes that are safe and well-maintained

- ✓ Respond to new and existing legislation, meeting property compliance and health and safety standards, including embracing a new pending Decent Homes Standard (DHS).
- ✓ Enhance the responsive repairs and maintenance service to increase customer satisfaction through the delivery of excellent services, alongside ensuring maximum value for money through process, cashable and non cashable efficiencies.
- ✓ Review our void standard for all new customers who move into our properties by involving customers, colleagues and partners to share ideas for improvement.
- ✓ Develop the net present value (NPV) analysis of homes by including wider active asset management principles within the modelling exercise.

Work with CBH to help make Cheltenham carbon net zero

- ✓ Invest in the retrofit of existing homes to EPC C through a fabric first approach, to make them as energy efficient as possible for the benefit of customers and reduce fuel poverty, while also increasing biodiversity and green initiatives to mitigate the climate emergency.
- ✓ Deliver net zero carbon homes on 100% of CBC owned land-led sites.
- ✓ Seek to improve the specification of our S106 affordable homes acquisitions from private developers to help further secure our aspirations to achieve carbon net zero homes.

DELIVERING AIM B:

Stronger and more resilient communities

We will support strong, healthy, and socially sustainable communities by working with customers and local partners to bring people together, reduce social isolation, increase resilience, and support all individuals within the community who need it. This will be enabled through improvement initiatives and joint community priorities, delivered through shared community investment plans with CBH which will improve customer and community outcomes

What success looks like

- ✓ Provide cost of living support and life opportunities for customers
- ✓ Support strong and socially sustainable communities
- ✓ Ensure existing communities benefit from the economic opportunities generated by the Golden Valley development
- ✓ Work with CBH to make Cheltenham net zero carbon by 2030

Measures of success

- ✓ Delivered 1% of social value from open HRA procurement activities
- ✓ Helped over 500 customers into employment and training
- ✓ Generated £8m income on behalf of customers supported with benefit & money advice
- ✓ Utilise funding opportunities available to CBH to expand community resource base

Provide cost of living support and life opportunities for customers

- ✓ Explore external funding opportunities to review and grow the training and employment service offer with a focus on tailoring services to meet individual communities' needs' by engaging with residents and local businesses, for example with schools and Gloucestershire College to explore net zero retrofit collaborations.
- ✓ Develop the benefit & money advice service and link with other advice services in Cheltenham to increase support available for our most vulnerable customers and residents across our town through awareness raising sessions delivered with local partners and schools.
- ✓ Explore and invest in opportunities for further support for customers during the cost-of-living crisis and work with partners to deliver a collaborative approach for customers and residents.

Support strong and socially sustainable communities

- ✓ Continue to build trust and resolve anti-social behaviour and crime issues through collaborative and proactive working between our neighbourhood teams, CBH ASB team, with customers and other key partners such as the Police.
- ✓ Grow support for the most vulnerable customers and deliver more initiatives such as; Adverse Childhood Experiences (ACEs), Housing First and health related opportunities and support for refugees.
- ✓ Expand support for customers to work closely with each other and partners, to take ownership of their communities and create more sustainable neighbourhood led groups.
- ✓ Enhance targeted youth provision, using data and insight into our neighbourhoods to provide the right support at the right time.
- ✓ Develop shared community investment plans in partnership with CBH, focusing on social isolation, financial hardship, young people via No Child Left Behind, mental health and wellbeing via Heads Up, women and girls feel safe and respected, and collaborate in support of a sustainable community facility for St Peters & the Moors.
- ✓ Deliver and embed social value into new and existing communities through investment and procurement activities.

Ensure existing communities benefit from the economic opportunities generated by the Golden Valley development

- ✓ Employ a shared engagement worker to will build relationships between local residents, community groups and cyber-tech businesses.
- ✓ Work with partners including schools and colleges to build excitement and enthusiasm within the local community and create awareness of future opportunities.
- ✓ Ensure the local community has opportunities to influence the shape of Golden Valley plans through effective and accessible engagement.

Work with CBH to help make Cheltenham net zero

- ✓ Support communities to become more environmentally conscious by working with partners through, for example, neighbourhood works programmes to deliver improved waste reduction and recycling.
- ✓ Manage communal spaces to increase biodiversity gain through projects.

DELIVERING AIM C:

Change to realise opportunities

To meet the current and future challenges whilst continuing to deliver high performance and high satisfaction at median cost, CBH needs to evolve as a business. CBH needs to unlock the potential in colleagues, processes, and partnerships to deliver more efficient and effective services from our finite resources and increase the positive impact on customers' lives.

What success looks like

- ✓ Embrace technology to enhance people focused, efficient and accessible services
- ✓ Identify income generation opportunities
- ✓ Work with CBH to make Cheltenham carbon net zero

Measures of success

- ✓ Ensured 100% of customer facing processes are digitally enabled
- ✓ Increased number of digital transactions year on year
- ✓ Maximised government funding income
- ✓ Identified new income generating business opportunities
- ✓ Worked towards reducing CBH carbon emissions to be carbon net zero by 2030

Embrace technology to enhance people focused, efficient, and accessible services

- ✓ Extend our mobile device technology to deliver enhanced services outside of the office, to improve the overall customer experience and meet regulatory changes.
- ✓ Develop systems and streamline processes to deliver efficiencies and improve the customer journey, quality of services and data.
- ✓ Enhance the use of data in decision making, resource allocation and shaping service delivery.
- ✓ Develop services to become more digitally accessible while maintaining face to face and telephone contact to meet the understood needs of customers.

Work with CBH to help make Cheltenham carbon net zero

- ✓ Deliver initiatives to reduce CBH's business impact on the environment through decarbonisation of the fleet, reduction of energy use, sustainable transport and continue to progress 'green procurement'.
- ✓ Improve ability to monitor CBH's carbon footprint and achieve a reduction in overall carbon emissions.
- ✓ Use CBC's Climate Impact Assessment tool to ensure we are appropriately considering climate implications in project decision making.

Identify funding and income generation opportunities

- ✓ Maximise opportunities available from government funding through Homes England to support the delivery of new homes.
- ✓ Maximise opportunities available from the Social Housing Decarbonisation Fund to retrofit existing housing stock by continuing to bid for all available funding.
- ✓ In partnership with CBH, create opportunities to lobby the Government on the levelling up agenda which could open funding and income opportunities to support our communities in Cheltenham, which often fall into the top 10% of deprivation across the country.
- ✓ Maximise PRS opportunities on CBC led strategic sites, including the Golden Valley Development, which supports the delivery of mixed tenure schemes while generating income to be used for social purposes.
- ✓ Work with developers to maximise PRS opportunities on private owned schemes. Appendix C refers to a more detailed approach to PRS opportunities.
- ✓ Understand external funding opportunities to grow services and resource base.
- ✓ Understand income generating opportunities by exploring new business services, such as potentially rolling out some core services into the wider Cheltenham market.



Ability to deliver the plan

In order to deliver the vision, aims and outcomes of this HRA business plan, CBH must maintain and develop a clear sense of purpose that places tenants at the heart of its activities, inviting their feedback and acting on that, whilst supporting them to maintain their homes and take advantage of opportunities to enhance their lives. It must maintain strong working relationships with key partners, and ensure employees are inspired and engaged, supported by suitable systems using high quality data.

There are key enabling principles CBH need to continue to develop and put in place to be successful, these include

- ✓ Embed and strengthen the CBC CBH stronger partnership working, to enable ongoing collaboration between both organisations
- ✓ Offer new opportunities to listen and act to customer voices and embed throughout CBH to improve services
- ✓ Celebrate the diversity of customers and support equality of opportunity for all
- ✓ Engage and inspire colleagues for CBH to be an employer of choice

Embed and strengthen the CBC CBH Stronger partnership working, to enable ongoing collaboration between both organisations

CBC and CBH have enjoyed a long and successful partnership. In the context of the national, sector and local challenges in the current environment as set out in this business plan it is, critical the partnership between CBC and CBH continues to evolve so we are in the strongest position to support tenants, customers and the wider community.

In 2020, CBC undertook a review of its housing services which provided a series of recommendations that presented opportunities as to how the partnership between CBC and CBH could be strengthened and adapted so that both organisations could maximise the potential benefits of closer working. Ultimately the overarching goal by working more closely together is to enhance the collective capacity and ability to deliver for Cheltenham's communities while also driving efficiencies and improved value for money.

A key enabler of this business plan will be the successful embedding of this partnership working, enabling true collaboration between both organisations. To achieve this CBH and CBC are committed to using the annual business planning and priority setting processes to ensure resources and capacity are prioritized and targeted to enable successful delivery of agreed initiatives. In addition to this, there is a joint commitment across CBC and CBH to reflect on and review organisational cultures to help support, strengthen, and deliver the ethos of true partnership working. Together we will do this by;

- Working together closely to embed the new joint communications team in both organisations
- Continuing to work in partnership aligning CBH activities with the CBC Climate Emergency Action Plan: Pathway to Net Zero
- Sourcing, delivering and embedding social value throughout the communities of Cheltenham
- Supporting joint cost of living opportunities
- Delivering shared community priorities
- Exploring synergies that arise from joint working for example, considering ICT provision and solutions
- Continuing to work in partnership to improve procurement processes and activities
- Working closer together on Housing Supply through the county Strategic Housing Development Group and Cabinet Member working group
- Delivering the final £178k of the agreed £487k of savings of which £309k has already been achieved by CBH

Offer new opportunities to listen to customer voices and embed throughout CBH to improve services

- Embed and deliver the customer involvement and engagement plan
- Frequent analysis of data and insight to evaluate effectiveness of this plan and adjust as necessary
- Use data to target engagement and ensure we listen to a more diverse range of customer voices

Celebrate the diversity of our customers and support equality of opportunity for all

- Set our ambitions high while challenging our approach to celebrating and delivering equality and diversity throughout our activities and services by understanding the lived experience of underrepresented groups and those who could be discriminated against, making sure their voices are heard, difference is celebrated and that diverse needs are understood and met

Engage and inspire colleagues so that CBH will be an employer of choice

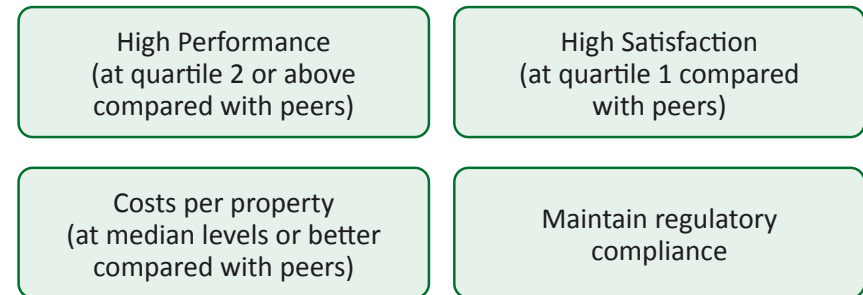
- Continue to develop CBH's colleague offer and maintain high engagement levels throughout the delivery of the HRA Business Plan, shaped by regular colleague feedback through Best Companies
- Continue to support and prioritise colleague wellbeing
- Provide office accommodation where all colleagues can collaborate closely together while maintaining a hybrid, agile working culture
- Maintain our physical presence in key communities as well as embedding stronger partnership working collaborative space across both organisations
- Continue to recruit, develop, and encourage apprenticeship programmes throughout the organisation

Maintaining high quality and value for money services

CBH is a high performing ALMO with high customer satisfaction and for this to remain the case services must continuously evolve to meet emerging customer needs and new, or innovative, ways of working must be identified and adopted. Only by listening carefully to customers and colleagues and then acting on that feedback will this be achieved.

Right at the heart of CBH is the requirement to deliver high quality services that are fit for purpose, which are well received by customers, and to ensure compliance is maintained. This must be done with a clear understanding of the costs involved so that the HRA remains viable, and for this reason there are high level cost per property indicators identified and used in budget planning and monitoring activities.

The balance across the four themes of performance, satisfaction, compliance, and cost indicators provides an informed and mature view of the value for money provided. This view is concerned with understanding the need to spend and managing that effectively to maintain strong core services whilst also continuing to achieve positive change and outcomes for tenants. Achieving the right balance across these indicators whilst delivering on the aims of this HRA Business Plan ensures that CBH is delivering VFM. The ideal balance is shown in the quadrants on the right and the current list of relevant indicators is included in appendix A.



CBH maintains a suite of relevant indicators which also include the Regulator of Social Housing's (RSH) new Tenant Satisfaction Measures (TSMs), which are also highlighted in appendix A. Challenging targets are set in line with local priorities and with sector benchmarking as context and that encompass all four areas. These indicators are monitored and scrutinised

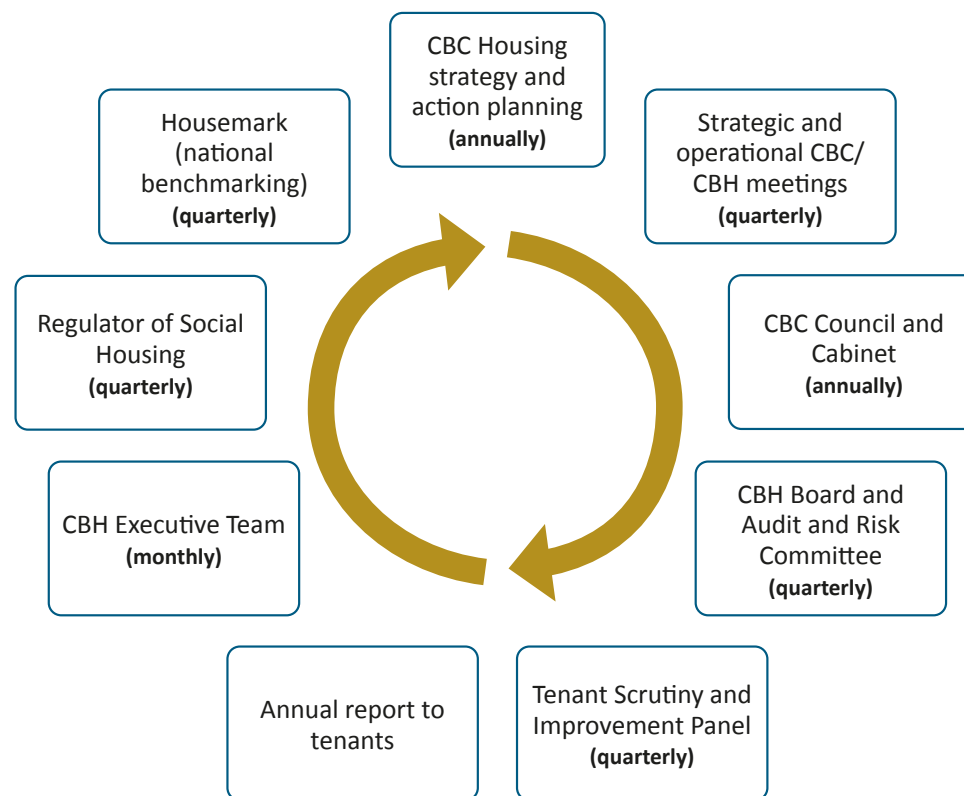
- on an ongoing basis by CBH service delivery teams
- quarterly at operational CBC / CBH liaison meetings with the Housing Strategy and Partnerships Manager
- monthly by CBH Executive Team
- quarterly at the tenant scrutiny and improvement panel (TSIP)
- quarterly by the CBH Board and Audit and Risk Committee in reports which are shared with CBC Cabinet Member for Housing
- annually in the report for tenants
- as part of annual reports for CBC Cabinet and full Council

Monitoring, scrutiny, and collaboration

There are many mechanisms in place that ensure the outcomes set out for CBC and CBH to deliver are being progressed and are achieving what they set out to do and that performance, satisfaction and compliance levels are on target. These mechanisms must also support an ongoing assessment to ensure they remain the right things to be focused on and that targets remain challenging but reflective of pressures and priorities, an approach which is critical in a rapidly changing operating environment. They achieve the right balance of scrutiny and positive challenge, plus steer and collaborative support for delivery.

Most frequent monitoring and scrutiny is undertaken by CBH Executive Team, with CBH Board scrutinizing, challenging and holding the CBH Executive Team to account, CBH's Audit and Risk Committee provides a deeper dive into assurance as is necessary. Both Board and Audit and Risk Committee papers are shared by CBH with CBC. Quarterly CBC/CBH strategic and operational meetings between senior leaders and operational managers take place, as set out in the 'meetings protocol' which is a schedule to the Management Agreement. There is quarterly reporting to the tenant scrutiny and improvement panel, and an annual report to all tenants, plus annual progress reporting and target setting, as part of the budget setting process, to Cabinet and Council. Externally there are increasing regulatory requirements to report data and outturn into the RSH and Department of Levelling up Housing and Communities (DLUHC).

These mechanisms are broadly shown in the diagram on the right and demonstrate there is robust and ongoing monitoring and scrutiny. It is vital that CBH maintains an open and proactive approach to sharing relevant information with CBC and tenants.





Finances

Background

The Housing Revenue Account (HRA) is a ring-fenced account within the council which is used for all transactions relating to Cheltenham's council homes. All of the income generated from these council homes has to be kept in the Housing Revenue Account and used for the purpose of maintaining and investing in existing homes, building new homes and delivering services to tenants and leaseholders.

The aims and priorities over the next five years, set out in this business plan, are modeled over a 30-year term to understand the financial impact of the investment aspirations within this plan and to ensure that the HRA remains financially viable. The assumptions within the model are updated annually as part of the budget setting process. This financial model is also used to stress test the HRA to understand the key financial risks which need to be managed in both the medium and long term to ensure the HRA remains viable.

Current Context

The UK is faced with the most significant cost-of-living crisis in a generation. Inflation in 2022 has increased to 11.1%, the Bank of England base rate has increased from 0.1% to 3.5% with further increases expected in 2023 and energy costs have soared for both consumers and businesses.

Excess cost inflation, increased interest payable, energy costs and additional compliance expenditure have added £1.8m to the HRA cost base in 2023/24 compared to the 2022/23 budget prior to other year on year changes of £0.7m resulting in an overall expenditure increase of £2.5m. Whilst rental income will be increasing it has been capped at 7% for 2023/24 resulting in the estimated net operating surplus in the HRA falling from over £1m to £70,800 in 2023/24.

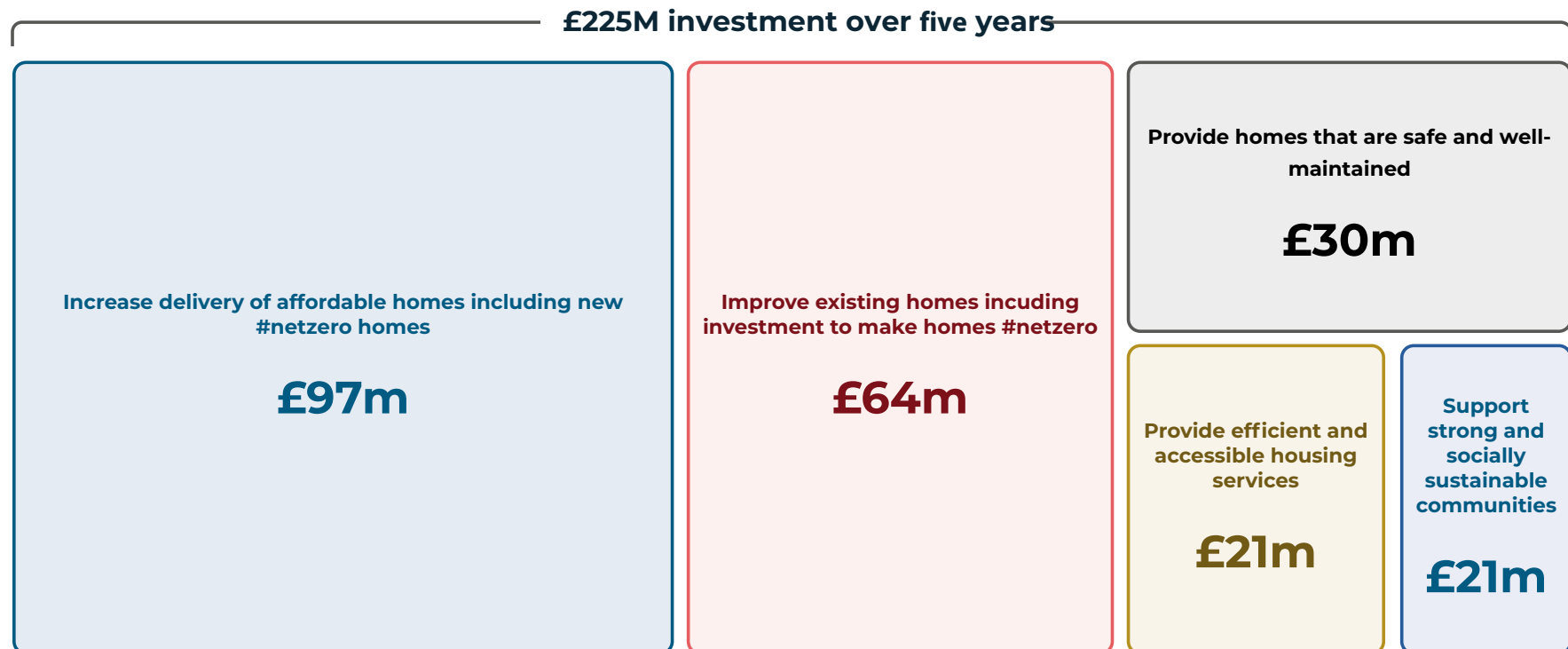
The long-term impact of this high inflation and capped rent is substantial on the 30-year outlook with capacity in the HRA reducing by an estimated £92m.

This reduced capacity in the HRA means the scale and pace of investment in existing and new homes needs to be carefully managed to ensure vital services to customers and communities are protected. To deliver growth and maintain long term financial viability, additional sources of revenue need to be secured including building or acquiring new homes for rent, additional revenue and capital grant funding and through CBH exploring new opportunities for commercial income such as private rented homes (as noted in the aims above).

Investing for the next 5 years

The priorities for the next five years demonstrate the council's commitment to Cheltenham residents and communities during this volatile and challenging period through its continued investment over the medium term in improving existing homes, supplying new homes and investing to make Cheltenham net zero carbon whilst providing immediate support during the cost-of-living crisis.

Over the five years of this business plan the Council is proposing to invest £225m in these priorities as set out below.



Finances

Funding and Financial Viability

Whilst the impact of inflation, the rent cap, interest rates and compliance changes have had a substantial impact on the capacity of the HRA over the medium to long term, it is still important to invest in existing and new homes and the customer focused services which are essential for the support of our communities in this most challenging of times.

The significant level of capital investment proposed within this plan will be financed by a combination of borrowing, grant funding, shared ownership sales and capital receipts. To deliver this substantial investment, the level of debt within the HRA will be higher at its peak and need to be serviced and repaid over a longer period than previously projected. This brings its own risks which need to be carefully managed over the short to medium term to ensure viability over the long term.

The following parameters are used as measures to determine viability of the 30-year plan for modelling purposes:

- 1. Revenue reserves is on or above the approved minimum**

The minimum revenue reserve balance of £1.5m is the level approved by Council and equates to approximately £330 per property.

- 2. The capital programme for existing homes is affordable**

Being able to afford the capital programme and therefore ensuring the existing homes are maintained for the long term is a key principle for all Local Authority's with housing stock.

- 3. Interest cover**

The interest cover percentage is used to determine how easily the HRA can pay the interest expense on outstanding debt.

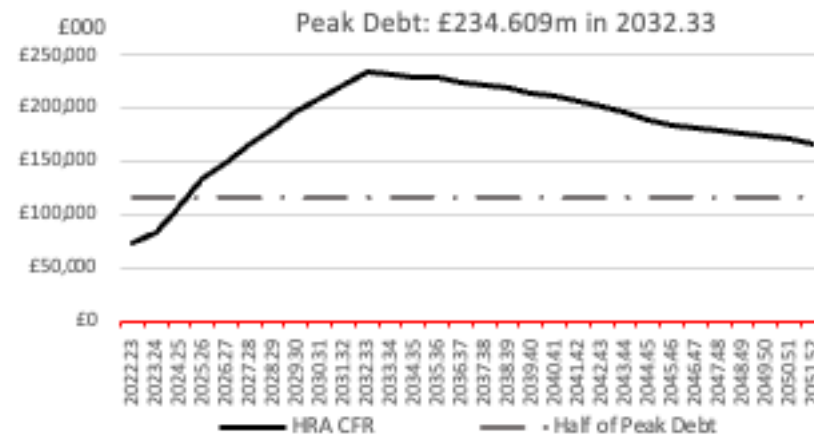
- 4. Debt at the end of the 30-year plan as a percentage of peak debt during the plan**

Since the abolition of the HRA debt cap in October 2018 the Council has been able to set its own prudential limits on HRA borrowing, rather than rely on the cap specified by Government. The HRA's ability to repay borrowing over a reasonable period is a key factor when deciding whether a proposal to borrow for HRA purposes is a prudent decision.

Throughout the 30-year plan period the HRA revenue reserve is maintained at or above the £1.5m minimum level and the capital programme for existing homes remains affordable.

As can be seen below, interest cover falls below 125% in the short term due to increased costs from high inflation and then starts to rise as new homes and consequently rental income are added to the HRA.

Debt is estimated to peak at £234m in the medium term, mainly due to the investment in new homes, and then starts to fall as additional rental income and careful cost management increases the net operating margin and allows for repayment of this debt.



These current projections show the parameter relating to the repayment of debt does not meet the target of 50% of peak debt at the end of the plan period. This is due to the current financial pressures on the HRA including high inflation and the rent cap for 2023/24. This is considered necessary to allow for the continued investment in essential services and new homes as set out in this business plan. Careful monitoring will be undertaken to ensure the scale and pace of delivery does not risk long term viability.

Finances

Key Assumptions

The budget for 2023/24 and projections for the following four years are underpinned by a number of key assumptions which are set to estimate future income, expenditure and capital investment. These assumptions take account of the current operating environment and state of the UK economy. Due to the current volatility in the UK and international economies these assumptions will be updated each year and sooner if there are significant, unprojected changes. The key assumptions are set out below.

- Consumer Price Index (CPI) assumed to fall to 5.2% in 2023/24 and then return to the Government's target rate of 2% in 2024/25
- Retail Prices Index (RPI) assumed to remain 1% above CPI throughout the plan period
- Following the rent cap of 7% in 2023/24, rent increases to return to CPI + 1% for 2024/25 and then reduce to CPI + 0.5% and then CPI thereafter (next review of Government rent policy due April 2025)
- Rent estimates assume a 1% void rate and 20 RTB sales annually and also reflect additional income from newly built homes and acquired homes
- Cost increases to return to CPI from 2024/25 onwards apart from building costs which track RPI until returning to CPI in the medium term
- Borrowing rates to average 3.65% in 2023/24 before falling to 3% per annum over the long term
- A refreshed assessment of the 30-year capital programme on major works and component replacement each year
- Minimum HRA revenue reserve balance to remain at £1.5m over the long term
- New fixed or temporary borrowing to be available as required throughout the life of the plan
- This is considered necessary to allow for the continued investment in essential services and new homes as set out in this business plan. Careful monitoring will be undertaken to ensure that the scale and pace of delivery does not risk long term viability

Additional funding sources

Sourcing and bidding for income generation features throughout the strategic aims and intentions of this business plan. CBH will need to consider the availability and access to relevant government funding to support HRA finances throughout the five-year period and be responsive to opportunities, including government funding, as they arise. CBH will lobby when needed to raise attention and focus to funding and income opportunities to support the delivery of this business plan, and ultimately for the benefit of customers and residents of Cheltenham.

Value for Money

Demonstrating excellent customer services at the right cost is crucial and ensures the council and CBH are delivering value for money (VFM); it is about understanding the need to spend and managing that effectively to maintain strong core services and continue to achieve positive change and outcomes for our customers. This ensures the rent paid into the Housing Revenue Account (HRA) delivers high quality services whilst maintaining and improving existing homes and building more affordable homes.

Performance, satisfaction and costs are benchmarked against other housing providers in the sector with a target of first and second quartile performance and satisfaction whilst targeting costs at a median sector level.

CBH continues to look for ways of making services cost efficient and opportunities for additional income to increase the capacity of the HRA for investment and maintain long term financial viability.

Finances

Sensitivity Analysis

The financial projections noted above summarise expenditure, investment, capital financing and borrowing in respect of council housing over a 30 year period, starting in 2022/23. This baseline position reflects the Council's best available data and assumptions and allows for inflationary pressures impact on budgets and programmes. It also assumes a continuation of existing rent policy on the part of the Government (CPI + 1%), after applying the 7% cap to the maximum rent increase for existing tenants in 2023/24. Alongside this baseline CBH have also modelled the effects of the following sensitivities:

- Inflation is higher than baseline in 2024/25 by 2% and 2025/26 by 1% also resulting in higher rent increases
- The government decides to impose a further cap on rent increases in 2024/25 of CPI –1%
- Interest rates are higher than baseline over the medium term
- The combined effects of the above sensitivities

These sensitivities reflect the effects of changes in economic factors and government policy that are outside of the Council's control, as a way of assessing some of the underlying risks associated with the projections.

Under all sensitivities the HRA is able to maintain the minimum reserve balance of £1.5m throughout the projections. All sensitivities cause peak debt to occur in 2032/33 and permit the council to be reducing debt year on year by the end of the 30 year period. The Inflation sensitivity increases both costs and income (primarily rents) over the medium term. Since income is greater than expenditure, this enables the council to maintain lower levels of debt. The rent cap sensitivity reduces the income generated from the baseline rent increase for 2024/25, causing the Council to borrow more to deliver its capital programme and take longer to repay the debt. Similarly, the interest rate sensitivity requires the authority to pay more for its debt, reducing the ability of the HRA to repay debt early.

The combined sensitivity has more complex effects. Inflation is greater for both income and expenditure but allowing for an additional rent cap in 2024/25 means that the rise in costs is greater than the additional income generated, causing debt to rise to the highest level among the sensitivities tested.

| Scenario/Sensitivity | HRA CFR | | | | Peak debt Year | Terminal debt | | |
|--------------------------------------|---------|----------|----------|----------|-------------------|---------------|---------|----------|
| | 2022.23 | 20231.32 | 2041.42 | 2051.52 | | £000 | £000 | £000 |
| | £000 | £000 | £000 | £000 | | | | |
| Baseline | £78,980 | £222,369 | £206,790 | £166,256 | 2032.33 | £234,805 | 2051.52 | £166,256 |
| Baseline + inflation sensitivity | £78,980 | £222,233 | £198,050 | £144,097 | 2032.33 | £234,391 | 2051.52 | £144,097 |
| Baseline + rent cap sensitivity | £78,980 | £223,926 | £210,602 | £172,779 | 2032.33 | £236,575 | 2051.52 | £172,779 |
| Baseline + interest rate sensitivity | £78,980 | £223,211 | £207,928 | £167,791 | 2032.33 | £235,673 | 2051.52 | £167,791 |
| Baseline + combined sensitivity | £78,980 | £228,000 | £214,123 | £171,166 | 2032.33 | £242,129 | 2051.52 | £171,166 |

Interest cover performance is weaker if costs rise without a compensating rise in income, or if income reduces. This is demonstrated clearly by the rent cap sensitivity, which shows the effects of income rising at a slower rate than costs in 2024/25. On the other hand, performance improves under the inflation sensitivity (which increases both costs and income) and the combined sensitivity (which allows for higher underlying inflation, so permits a larger rent increase in 2024/25 than under the rent cap sensitivity).

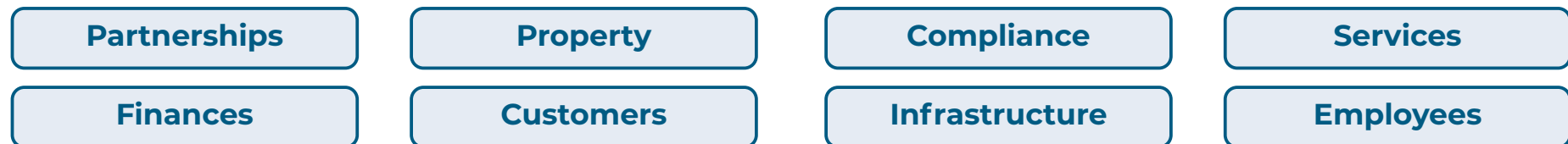
None of the sensitivities impact significantly on the ability of the HRA to maintain a minimum balance. The additional income generated (assuming no further rent cap) under the inflation sensitivity allows the authority to reduce HRA debt by £22m after 30 years and is beneficial. All of the remaining sensitivities require the authority to hold higher levels of debt, with the rent cap sensitivity having the greatest negative impact.

Challenges and Risk

It is vital our ALMO, CBH, takes account of both local insight and the external operating environment to understand the actual and potential challenges to, and opportunities supporting, the delivery of this Business Plan. To that end it maintains current PESTLE and SWOT analyses , regularly collects and considers customer and colleague feedback and, carries out regular assessment of the annual sector risk profile produced by the Regulator of Social Housing (RSH). These assessments are overseen and shaped by the CBH Executive Team and Board, and inform delivery plans, budgets and risks. All of this information is shared with CBC and has been used to develop this Business Plan.

It is necessary ~CBH takes an informed and prudent approach to risk. It has responsibility for CBC and CBH-owned homes, tenants and their families, leaseholders, and colleagues. It is critical CBH ensures the HRA remains viable now and into the future to ensure peoples' homes remain safe and maintained to a high standard, for tenancies to be well managed, and people supported to enable them to sustain their tenancies.

CBH maintains and updates an approved list of broad, high-level 'Corporate Risks' that enable oversight of important, ongoing areas which most affect this viability and broadly cover:



Each has a suite of relevant controls in place, identified trigger KPIs and actions where necessary. They are regularly reviewed and assessed by risk managers and assessed by CBH Executive Team, with regular scrutiny at CBH's Audit and Risk Committee and Board. Further challenge and scrutiny is provided by a dedicated Board Champion role who undertakes regular 'deeper dives' to seek assurance and provide insight based on relevant skills and experience. All Committee and Board reports are shared with CBC and risk identification and management is discussed at several points in the CBC/CBH Meetings Protocol.



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