Colchester City Council

30 Year HRA Business Plan

January 2026

Contents

1. Executive Summary

This HRA Business Plan is an update to the plan approved in July 2025, and again sets out our strategic financial plan for managing and maintaining our social housing stock. It provides an update to the detailed medium-term plans and priorities for the housing and asset management services (5 years) alongside a long term (30 year) forecast on stock investment and financial planning.

The plan considers updated context, both national and local, taking account of housing policy changes, updated stock numbers and stock investment requirements and the latest budgetary requirements for the delivery of services. Assumptions have been reviewed and updated using the latest information and sector forecasts available at the time of producing the plan. It should be noted that due to the short timescales between the approval of the 2025/26 plan in July 2025 and the drafting of the 2026/27 business plan, that the context may not have changed significantly.

Stock numbers increased marginally between 1/4/2024 and 1/4/2025, from 5,996 homes to 6,071, which was positive, particularly at a time when many local authorities were seeing a steady decline in their HRA stock. However, numbers are anticipated to decline marginally between 1/4/2025 and 1/4/2026, from the opening position of 6,071 to 6,066, with more homes expected to be sold through the Right to Buy than are anticipated to be built or acquired during 2025/26, but with demand for affordable housing continuing to grow.

Local authority landlords remain subject to proactive regulation by the Regulator of Social Housing in respect of both the Rent Standard and meeting the Consumer Standards. Landlords are required to demonstrate compliance against 4 key standards, the Neighbourhood and Community Standard, the Safety and Quality Standard, the Tenancy Standard and the Transparency, Influence and Accountability Standard, alongside publishing a key set of performance and tenant satisfaction measures. Local authorities are subject to a formal inspection regime, with the Council still awaiting notification of an initial inspection. A mock inspection, carried out in 2024, confirmed that we are in a strong position to demonstrate delivery across the Regulator's consumer standards and highlighted opportunities for continuous improvement. Governance and Audit Committee determined in November 2025 that the action plan arising from the mock inspection had been satisfactorily implemented.

Costs remain high due to an extended period of high inflation over the last few years, whilst rents have on occasion been constrained at below inflationary levels. Investment requirements also continue to increase with the need to ensure both building and fire safety compliance across the housing stock following a number of regulatory changes.

As highlighted in the last iteration of the business plan, borrowing costs have increased significantly in recent years and rates still remain high. At the time of writing this report the bank base rate was 4.00%, and 30-year borrowing costs from the Public Works Loans Board were in the region of 6.40% (5.80% with the preferential HRA rate applied).

In this plan we seek to maintain a balance within available or accessible resources, keeping rents affordable, whilst continuing to deliver quality housing services, maximising investment in our existing housing stock and investing in new homes, whilst also ensuring that borrowing is supportable and that risks are managed and mitigated where possible.

All social housing providers face increased costs in respect of meeting the statutory requirements in building safety, with Awaab's Law now in operation, alongside existing pressures in respect of fire safety investment and disrepair. Revenue repair budgets continue to be under significant pressure across the sector.

The assumption has been made that rents will increase by CPI plus 1% for 10 years from April 2026, in line with the current government rent settlement. With CPI at 3.8% in September 2025, rents can be increased by up to 4.8% from April 2026. This has a positive impact on the business plan, with the rate of inflation being higher in September 2025 than was anticipated when the plan was last reviewed. The additional revenue generated from a 4.8% rent increase helps to offset some of the adverse assumption changes within the plan, such as anticipated higher long-term borrowing costs.

The level of investment incorporated within the business plan is the Decent Homes Plus Standard (reduced by £5m in the first 5 years), as approved in July 2025, now incorporated at an estimated base cost of £345m, or £56,560 per property. With overheads, stock condition surveys and other investment in HRA assets (such as disabled adaptations) included, the total investment per property rises to £70,050. This level of investment is consistent with recent benchmarks for overall investment within the social housing sector[1].

Costs associated with homes achieving an energy rating of EPC 'C' or better by 2030 are included in the plan. However, additional investment in energy efficiency measures to achieve Net Zero Carbon is still excluded from the plan for affordability reasons, with the gross cost to achieve this now estimated to be £471m including staffing on costs. Even assuming grant at 40% of the direct cost, the net cost of £285m is still wholly unaffordable.

We also await the outcome of a consultation in respect of Decent Homes 2, a revised Decent Homes Standard, which is expected to increase the level of investment required in the existing stock, with proposals to make the new standard a regulatory requirement from either 2035 or 2037.

[1] *Benchmarks based upon LGA research undertaken in 2024 (which were in the region of £62,000 nationally, higher in London), but with these averages now rising to around £69,000 as more condition surveys are completed'; https://www.local.gov.uk/publications/housing-revenue-account-research-update*

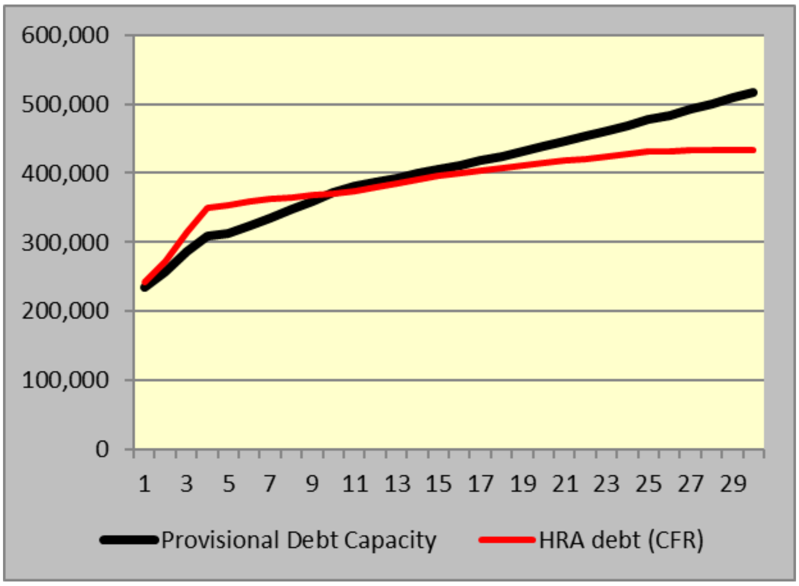
The business plan includes investment in the delivery of new homes, with a total of 376 homes built or acquired over the first 4 years, resulting in the need to borrow extensively over this period. The new homes are included with a number of key assumptions in terms of costs, grant rates and future rental levels. It is imperative that each scheme or acquisition opportunity is appraised prior to final approval, with the programme kept under regular review to ensure that agreed hurdles are met, so that the impact on the business plan is as expected, or any deviation from this is clearly articulated and understood. There are inherent risks to borrowing, which will need to be managed and mitigate where possible.

The development programme delivers a small number of new homes, when compared to the demand for affordable housing, but has been incorporated at this level, with the aim of ensuring that borrowing over the longer-term is within a 'prudent' level from a risk management perspective.

Incorporating all of the assumptions outlined in this iteration of the HRA Business Plan, the chart below shows that forecast borrowing in the HRA is higher than might be considered 'prudent' when measured against a notional interest cover "golden rule" of 1.25 at the outset, but that the level of borrowing can be brought down to a 'prudent' level in risk management terms by year 10. A suitable level of reserves is held during this period to ensure that risk can be mitigated.

This is only one of a number of metrics that are considered when borrowing is taken out, with loan to value being another consideration. Before borrowing is undertaken, the Council carry out financial appraisals to assess the viability and affordability within the HRA business plan. The Council also adopts a formal Treasury Management Strategy, approved by Full Council, which governs how debt is used to fund capital expenditure and sets outs the approach to borrowing and debt management, ensuring borrowing is in line with the prudential code.

Chart 1.1 – HRA debt projection



The HRA Business Plan is not without financial risk, particularly in the early years, and must be kept under close and regular review to ensure that expenditure is controlled and that any changes in internal or external assumptions are incorporated, with any emerging risks managed and mitigated where possible.

To manage the risks, a suite of performance indicators have been adopted, in-year expenditure and income is monitored and reported upon on a quarterly basis, and the HRA business plan financial model is reviewed every 6 months, to ensure that any changes in costs, income or business planning assumptions can be quantified in the context of the impact on the 30-year plan.

This allows the Council to take mitigating action where required, with the potential to be able to reduce the investment level in the existing stock to the basic decent homes level, or alternatively reduce or defer investment in new homes until the financial position improves.

2. Introduction

2.1. Our HRA Business Plan

This HRA 30 Year Business Plan reviews and updates our strategy for managing and maintaining Colchester City Council's social housing stock. The business plan includes details of our medium-term plans and priorities for housing and asset management, across a 5-year period and also provides a 30-year long-term forecast to inform stock investment and financial planning.

This plan is an update to the plan approved in July 2025, which demonstrated a financially viable position, but recognised that the level of investment in the housing stock had to be reduced based upon available resources, and that the plan needed to be kept under regular review to manage the inherent risks in the level of borrowing that was required, for both the delivery of new homes and investment in the existing housing stock.

At 31 March 2025, the Council owned 6,071 properties for rent and also held the freehold interest in respect of approximately 1,000 leasehold flats across the city, in addition to owning over 2,100 garages and other buildings. The properties are managed through our Arm's Length Management Organisation (ALMO), Colchester Borough Homes (CBH).

The level of debt held in the HRA (the HRA Capital Financing Requirement) at 31 March 2025 was £193 million, and is the HRA element of the total debt held by the Council, as opposed to a portfolio of separate HRA loans. There is a need to ensure that this debt, and any further borrowing taken out to invest in new or existing homes can be fully supported by the income that the HRA receives, predominantly rent income from the housing stock.

We continue to try and balance:

- Keeping rents affordable
- Delivering quality services to tenants and leaseholders
- Improving the conditions and quality of our existing homes
- Increasing the supply of new homes through acquisition or new build

Following a fundamental review of the HRA during 2024/25, the HRA Business Plan approved in July 2025 incorporated a number of changes, including a reduced standard of investment in the existing housing stock (referred to as Decent Homes Plus), an increased level of investment in the acquisition and development of new homes, the inclusion of assumed rent increases at CPI plus 1% for 10 years with homes relet at formula rents, the implementation of new service charges and the assumption that St Edmunds House is utilised as office space.

This updated Business Plan will provide information about the landlord business and how the service is delivered, alongside:

- Identifying current costs and income and forecasting how these will change in the future
- Demonstrating that plans are sustainable and financially viable, although not without risk
- Highlighting any additional resource available for future investment
- Identifying priorities for future investment
- Assessing key risks in the delivery of the business plan and providing mitigating actions to manage these.

This updated business plan sets out our latest ambitions for the HRA to provide 376 new and acquired homes by 2030, whilst still investing in the existing housing stock and surrounding areas to meet required standards (including expectations set out in the Regulator of Social Housing's Consumer Standards and the Decent Homes Standard).

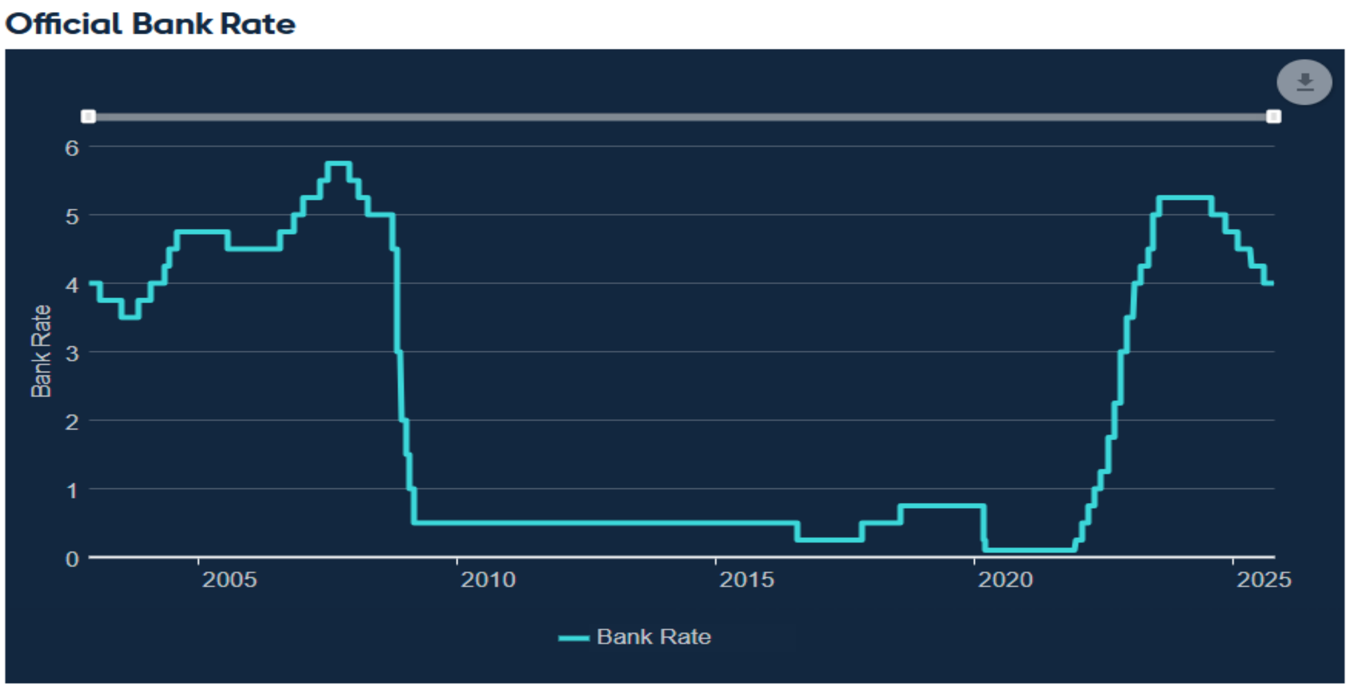
There remains a focus on climate change impact, with a clear target to ensure that all homes meet an EPC 'C' standard by 2030, and an aspiration to do more if funding allows.

2.2. National Context

Bank Rates, Gilts and Borrowing

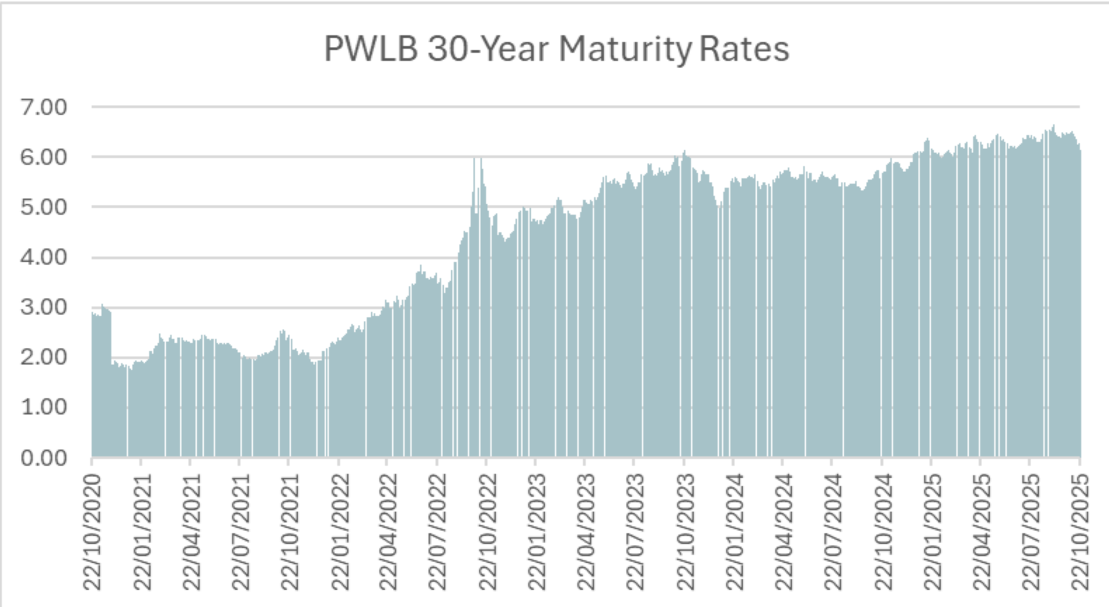
There was a significant increase in the Bank of England base rate from a low of 0.1% in 2021 to a high of 5.25% in August 2023, which has had a significant impact on the cost of borrowing in the market generally. Although now on a downward trajectory, the rate has not reduced significantly, with a current rate of 4.00%.

Chart 2.1 - Official Bank Rate (Source: Bank of England)



There has also been a sharp increase over the last 5 years in the cost of borrowing from the Public Works Loans Board, where rates set are based upon government gilts. The chart below depicts the Public Works Loans Board (PWLB) rates between October 2020 and October 2025, in respect of a 30-year maturity loan.

Chart 2.2 – PWLB 30-year maturity loan rates

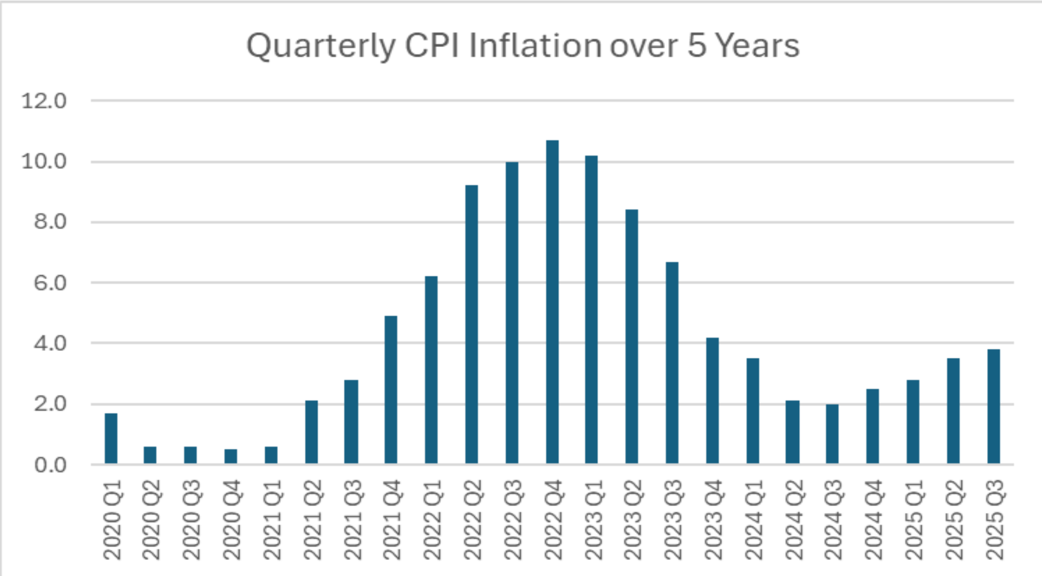


It is clear that longer-term borrowing rates have increased significantly over the last 4 years, from an average of 2.17% in 2021, to an average of 6.27% in 2025 to the point of drafting this report. The rates have not changed materially since the business plan was last approved in July 2025, resulting in continued financial pressure to support both new borrowing, and any re-financing of existing borrowing that the Council may need to undertake. As the Council adopts a ‘one-pool’ approach to borrowing, the HRA will be charged an average annual interest rate on the total level of HRA debt held, with continued high interest rates having a significant negative impact on the business plan, constraining the ability to meet the investment needed in the existing housing stock, or in the delivery of new homes. As part of this iteration of the business plan, the assumption has been made that additional borrowing will be at a higher rate than currently charged on a consolidated basis, with a long-term rate of 5.25% now adopted.

Inflation

A significant increase in core inflation has also been experienced over the last few years, with the Consumer Price Index (CPI) rising steeply to a high of 11.1% by October 2022, before beginning to reduce to a low of 1.7% in September 2024, since when it increased again to a high of 3.8% in September 2025, before reducing marginally to 3.6% by October 2025.

Chart 2.3 – CPI inflation rates over 5 years



As a result, costs have increased significantly over the last 4 years, and continue to do so, but income has not always kept pace with the increased costs, with a constraint on rent increases applied in April 2023, in the form of a 7% cap where an inflationary increase would have seen an 11.1% increase, and an increase of 2.7% from April 2025, as a result of an unexpected dip in the CPI rate to 1.7% in September 2024. However, with CPI in September 2025 of 3.8%, rent increases from April 2026 will be higher than previously anticipated.

Government Rent Convergence Consultation

On 2 July 2025, the government issued a consultation on the reintroduction of rent convergence, having confirmed the intention to reintroduce this as part of the June 2025 Spending Review. The consultation sought views on the pace and timing for the reintroduction of rent convergence, considering closing the gap at the rate of £1 or £2 per week, with the potential for the policy to be implemented from as early as April 2026, and for up to the 10 years of the current rent settlement.

The outcome of this consultation is now anticipated in January 2026, following an announcement of its delay as part of the Autumn Budget on 26 November 2025.

Right to Buy (RTB) Legislative Changes

Following announcements as part of the Autumn Budget in October 2024 and a subsequent consultation with the outcome published in July 2025, a number of changes have been announced, but with some still requiring legislative changes to enact.

The changes include:

- Tenants eligibility to purchase their home under the RTB scheme be increased from 3 years to 10 years from starting their tenancy
- Calculated levels of discount reduced to 5% plus 1% for each additional year of occupation and overall discount caps reduced to 2012 levels, with a maximum discount of 15% or the cap, whichever is lower
- Exemption from RTB for property owners or those who have previously enacted their Right to Buy
- New build homes to be exempt from RTB for 35 years
- Period requiring repayment of discount increased from 5 to 10 years
- Right of First Refusal (RFR) extended in perpetuity, when a tenant decides to sell their ex-council home
- No cap on the amount of RTB receipts which can be used when acquiring additional housing stock
- RTB receipts to be spent within 10 years (from 2027/28), in place of 5 years
- Removal of the 1-4-1 requirement (councils no longer need to replace each property sold under the RTB with one property
- Permanent abolition of the treasury share with these receipts now treated as 'replacement' receipts
- Local authority share and buy back allowance to be incorporated into 'replacement' receipts
- RTB receipts can be used to fund 100% of a dwelling built or acquired
- RTB receipts can be used to fund shared ownership homes
- RTB receipts can be mixed with Section 106 funding
- RTB receipts can be mixed with grant funding (from 2026/27)

Government has also committed to reducing the bureaucracy in respect of both the calculation and reporting of 'pooled' Right to Buy receipts.

<u>Awaab's Law</u>

Awaab's Law came into force from 27 October 2025, requiring social landlords to investigate and fix dangerous damp and mould within prescribed timescales, in addition to repairing emergency hazards within 24 hours.

Implementation of the law is being phased, with damp and mould hazards having to be addressed to prescribed timescales since October 2025, expanding to a wider range of hazards in 2026, to include excess heat or cold, falls, structural collapse, fire, electrical and explosions and hygiene hazards. From 2027 the requirements will be extended to the remaining hazards covered under the Housing Health and Safety Rating System (HHSRS), apart from overcrowding.

A person-centred approach will be taken, with hazards triggering requirements under Awaab's Law if they present a significant risk of harm or are an emergency. To determine if a hazard presents a significant risk of harm landlords should consider both the hazard itself and the circumstances of the resident(s), including age and/or any vulnerabilities.

Decent Homes 2

The government issued a consultation in respect of an updated Decent Homes Standard, often referred to as 'Decent Homes 2', in July 2025, with proposals to make the new standard a regulatory requirement from either 2035 or 2037.

The proposed new standard includes the following changes:

- Failure against key components will be based solely on condition, and not age **and** condition as it is now
- Removal of the maximum age requirement for kitchens and bathrooms
- Properties must provide at least three of the core facilities to be decent (a kitchen with adequate space, an appropriately located bathroom and WC, adequate external noise insulation and adequate size and layout of common entrance areas for flats)
- Window restrictors to be added to the list of essential facilities
- Considering whether to add secure doors and windows to the list of essential facilities
- Considering whether floor coverings should be provided at the start of a tenancy
- A dwelling must meet the Minimum Energy Efficiency Standards and have programmable heating
- Requirement to ensure properties are free from damp and mould

The proposed changes are intended to ensure that tenants do not have to live with broken components just because they haven't reached a certain age. This may mean some tenants living with older components if they are still in good working order.

Measuring Decent Homes failure based solely on condition may result in an increase in failures, and a resulting accelerated need to invest. The potential for increased costs will need to be fully quantified and incorporated into asset management investment assumptions, once the consultation outcome is confirmed.

Minimum Energy Efficiency Standards (MEES)

Alongside the consultation on Decent Homes, the government issued a consultation on Minimum Energy Efficiency Standards in the social rented sector.

The consultation proposed:

- New metrics for assessing energy performance

- Inclusion of MEES in the new Decent Homes Standard
- MEES to be met by 2030, recognisng that the proposed standard will come at a greater cost than the current EPC 'C' standard
- An exemption for a further 10 years if £10,000 is spent on a dwelling to try and achieve MEES by 2030 with those already assessed at EPC 'C' or achieving the current EPC 'C' before 1 April 2028 considered compliant at 2030

The outcome of both the Decent Homes 2 and MEES consultations were awaited at the time of drafting this report.

Social Housing Regulation

Since April 2020, the Regulator of Social Housing has regulated rents in the local authority rented sector, under the Economic Standard, with the Rent Standard forming the basis for this. From April 2024, the Social Housing Regulation Act 2023 significantly expanded the role of the Regulator, seeing local authorities proactively regulated in respect of the Consumer Standards.

The Consumer Standards include:

- Neighbourhood and Community Standard – encompassing safety of shared spaces, local cooperation, deterring and tackling anti-social behaviour and hate crimes and tackling domestic abuse
- Safety and Quality Standard – including a requirement for up to date stock condition data to ensure stock quality, meeting the decency standard, ensuring health and safety, delivering effective, efficient and timely repairs and providing assistance to tenants seeking adaptations to access appropriate services
- Tenancy Standard – ensuring fair and transparent allocation of homes, providing support to ensure tenancy sustainment, meeting statutory and legal requirements in respect of tenures offered and facilitating mutual exchanges for eligible households
- Transparency, Influence and Accountability Standard (including Tenant Satisfaction Measures)

Social housing providers are expected to self-refer to the Regulator of Social Housing if they are aware they are in breach of any of the standards, with the potential for the Regulator to issue a Regulatory Judgement if they conclude this is required. The Regulator will work proactively with the landlord to monitor the delivery of any agreed improvement plan, with any judgement removed once the Regulator is satisfied sufficient improvement has been made.

The Regulator of Social Housing began a 4-year rolling programme of housing inspections for local authority landlords in April 2024, with Councils able to receive consumer ratings between C1 and C4, as below:

- C1 - the landlord is delivering the outcomes of the consumer standards. The landlord has demonstrated that it identifies when issues occur and puts plans in place to remedy and minimise recurrence
- C2 – there are some weaknesses in the landlord delivering the outcomes of the consumer standards and improvement is needed
- C3 - there are serious failings in the landlord delivering the outcomes of the consumer standards and significant improvement is needed
- C4 - there are very serious failings in the landlord delivering the outcomes of the consumer standards. The landlord must make fundamental changes so that outcomes are delivered.

There have been 66 local authorities awarded a consumer standards grade since April 2024 as follows:

Table 2.1 - RSH Consumer Standard gradings for local authorities April 2024 to October 2025

Grade	No. of authorities
C1	7
C2	22
C3	33
C4	4
Total Inspected	**66**

<u>Local Government Reorganisation</u>

The English Devolution White Paper (published on 16 December 2024) set out the government's vision for devolution and simpler local government structures, leading to better outcomes for residents, improved local accountability and savings which can then be reinvested in public services.

The Government has confirmed Greater Essex (the combined area represented by Essex County Council, Southend-on-Sea City Council, and Thurrock Council) will be part of its Devolution Priority Programme. As part of this, local government reorganisation is expected to see the creation of a number of larger unitary authorities, in place of existing two-tier or smaller unitary authorities.

All 15 councils in Essex, that includes 12 district councils, would be replaced with a number of unitary authorities, with four different proposals submitted to government in September 2025. The government issued a consultation on the four proposals on 19 November 2005, with a final decision expected in Spring 2026. The four business cases include proposals for a five unitary model, two different four unitary models and a three unitary model, with each option including Colchester joining with Tendring and with options of Braintree, Maldon and Uttlesford also forming part of the new unitary.

Following the outcome of the consultation in Spring 2026, shadow unitary authorities will be established and the vesting day is expected in April 2028.

For Colchester, local government reorganisation will result in Colchester forming a unitary authority with other councils that have in-house HRAs and where stock transfer has previously moved the HRA stock out of council ownership and into the housing association arena. There will inevitably be significant challenges in the years to come in terms of how best to deliver housing services to residents, whilst operating in the new unitaries.

2.3. Local Context

The City of Colchester is situated in the northeast of Essex, is approximately 60 miles from London, and spans an area of approximately 125 square miles. Colchester is the main town, but there are many surrounding small towns and villages, with the largest being Tiptree, West Mersea and Wivenhoe.

Based upon the 2021 UK Census data;

Colchester has a population of 192,700 with an age spread of:

- 24% between 0 and 19
- 58% between 20 and 64
- 18% over 65

In terms of employment status for those over 16 years of age:

- 52% are employed
- 10% are self-employed
- 38% economically inactive

In respect of tenure in Colchester:

- 32% owned via a mortgage
- 33% owned outright
- 22% privately rented or rent free
- 13% socially rented (a significant proportion being within the HRA)

According to data published by the Office for National Statistics, the average price of a home in Colchester was £302,000 in August 2025, and the average market rent was £1,180 per month in September 2025.

2.4. Stock Information

As at 1 April 2025, the authority owned 6,071 homes held in the HRA as follows, with estimates of the number that will be held by 1 April 2026:

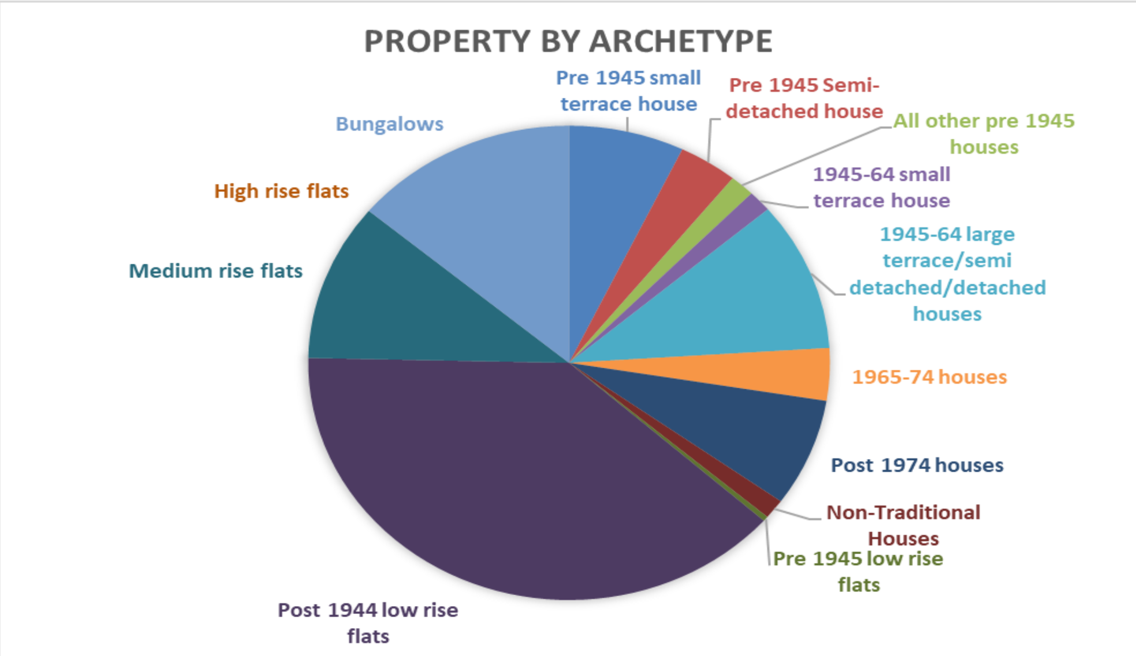
Table 2.1 - Stock analysis with prior year comparison

Bed Size	Stock as at 1/4/24	Stock as at 1/4/25 (re-stated)	Estimated Stock as at 1/4/2026
Bedsit	209	209	201
1 Bed	2,202	2,246	2,240

2 Bed	1,790	1,794	1,798
3 Bed	1,702	1,725	1,719
4 Bed	89	92	103
5 Bed	3	3	4
6 Bed	1	1	1
Total	**5,996**	**6,071**	**6,066**

The following chart shows a breakdown of property by archetype as at 1 April 2025.

Chart 2.4 – Property by archetype as at 1 April 2025



3. Colchester's Vision for Housing

3.1. The Council's Vision and Values

Our Colchester Three Year Plan 2023-26: A City fit for the Future, remains unchanged and continues to provide a framework, sense of direction and the key outcomes we will deliver or influence in the coming years:

- Respond to the climate emergency
- Deliver modern services for a modern city

- Improve health, wellbeing and happiness
- Deliver homes for those most in need
- Grow our economy so everyone benefits
- Celebrate our city, heritage and culture

The housing services that we provide play a pivotal role in assisting us with meeting our aims, with contributing to the Estate Plan, developing new homes in the HRA, and regularly reviewing HRA finances to ensure a sustainable HRA Business Plan for the foreseeable future, all being key contributions.

Colchester's Housing Strategy 2022-27 sets out the vision for housing in the city:

> 'Colchester, where all residents have access to a safe and affordable home that promotes health and equality, in a sustainable community'.

with the following key priorities identified:

- We will increase the supply of quality affordable homes
- We will support people to maintain their homes and build sustainable communities
- We will reduce carbon emissions from homes and improve standards
- We will prevent homelessness by working with partners to deliver Colchester's Homelessness and Rough Sleeping Strategy 2020-25

To achieve the identified key priorities, Colchester committed to:

- Increase our understanding of local need and sharing our knowledge with partners
- Identify opportunities to stimulate the development of new affordable homes
- Use existing assets to encourage new investment
- Develop strong relationships to allow productive collaboration with others
- Build on our existing partnerships to make our efforts more effective
- Concentrate on our role as facilitator rather than trying to 'do' everything ourselves

The strategy forecasts an increase in population from the 192,700 at the point of the 2021 census, to an estimated 214,160 by 2030, identifying that there will be significant pressure for an increase in affordable housing in the city over the next 4 years.

The updated delivery plan sets out actions to deliver against the priorities across the period from 2022 to 2027. Much progress has been made in delivering against the original priorities, with a progress report published in 2024 confirming that the 2020 – 2023 target for the supply of affordable housing had been exceeded, with the HRA acquiring and building a number of homes to help meet this target. The Council also carried out retrofit works to a number of HRA dwellings and continued the programme to ensure that all council homes meet an EPC 'C' standard by 2030, contributing to the priority to reduce carbon emissions.

3.2. Homelessness and Rough Sleeping Strategy

In 2020 the Council published its Homelessness and Rough Sleeping Strategy 2020-25, linking with Colchester's Homelessness Charter. The key aims for the strategy are:

- Increasing access to accommodation and providing settled homes
- Helping people to sustain their accommodation
- Improving the health and wellbeing of people who experience homelessness
- Improving communication and challenging the perception and culture of homelessness

The Council seeks to deliver the right type of accommodation through its HRA in order to help tackle these issues and we have detailed in section 7 how this will be progressed.

The Homelessness Reduction Act (HRA) 2017 requires the Council to help people who are, or may become homeless within the next 56 days. Wherever possible work is done to prevent homelessness occurring, and to reduce the need for temporary or emergency housing, although the demand for this service has increased significantly recently, and the solutions available to prevent homelessness have decreased. The numbers in temporary accommodation have risen significantly putting pressure on the General Fund through the costs of housing families in bed and breakfast and sourcing temporary accommodation. Although temporary housing is a General Fund cost, Housing Revenue Account accommodation is often let to meet a temporary housing need.

The Council's Homelessness and Rough Sleeping Strategy is currently being reviewed and updated with a new Strategy programmed for approval in July 2026.

4. Current Key Risks & Opportunities

4.1. Government Rent Policy

Local authorities must adhere to the Regulator of Social Housing's Rent Standard when setting rents, with the majority of rents still currently below the formula rent, with rents only increased to formula rent when homes are re-let in line with the Rent Standard. The Rent Standard controls future rent increases and rent setting policies for existing tenants.

In June 2025, a 10-year rent settlement was confirmed by government, with rents able to increase by up to CPI plus 1% for 10 years from April 2026. With CPI of 3.8% in September 2025, a rent increase of 4.8% has been assumed for 2026/27.

In July 2025, a consultation was published considering the reintroduction of rent convergence, confirming the government's commitment to reintroducing it, and requesting views on the pace (at £1 or £2 per week) and timing (from as early as April 2026, and for as long as the full 10 years of the current rent settlement). The outcome of the consultation was anticipated as part of the Autumn Budget on 26 November 2025, but it was instead confirmed that the response has been delayed until January 2026.

There is still an opportunity, to consider in future, the adoption of the rent flexibility in respect of calculating formula rents. Recognising the need for local discretion, and the need to take into account local factors, the rent flexibility allows a 5% for general needs, or 10% for supported housing, uplift to be added to the formula rent calculated for a property. It can only be applied at re-let, so would not affect existing tenants whilst they remain in their current home (even with the re-introduction of rent convergence, we believe, although this will be confirmed when the detail is announced) but would generate significant additional revenue over time. The introduction of the rent flexibility requires a clear rationale for its use, in consultation with tenants, and is already adopted by the majority of housing associations and an increasing number of local authorities.

4.2. Right to Buy (RTB)

In the government's budget of 30 October 2024, RTB discounts were reduced, back to lower pre-2012 levels with effect from 21 November 2024, in a bid to retain more homes for use as social housing to meet the affordable housing need across the country.

A delay between the announcement on 30 October 2024, and the implementation of the lower discounts on 21 November 2024, had unintended consequences, with in the region of a full year's RTB applications being received by local authorities in a 3-week window. Not all of these have progressed to completion, but many are still in process currently.

It is anticipated that the number of RTB's will fall significantly from 2026/27 onwards, possibly down to even lower levels than those forecast in the 2012 HRA Self-Financing Settlement when discounts were previously at these levels, as a result of property values increasing significantly over the last 14 years and mortgage rates currently being higher than experienced over a similar period. The average receipt per dwelling sold will increase, as the discount offered is now significantly lower.
When a home is sold under the Right to Buy, the rent income is forgone in the business plan, and although this loss is partially offset by an assumed reduction in the costs of carrying out major repairs to the property, it is critical that the capital receipt resulting from the sale is used to best effect.

Following the outcome of the 'Reforming the Right to Buy' consultation in July 2025, we still await the legislative changes to the scheme for the future. Once these changes have been made it is anticipated that a proportion of Right to Buy receipts will continue to be identified as either an administrative cost or being related to the debt that an authority took on in 2012, but that the balance will be treated as 'replacement receipts', that need to be reinvested in the acquisition or development of homes to be used for social housing purposes. The receipts need to be reinvested within 5 years currently, but this is expected to extend to 10 years for receipts received from April 2027. If an authority is unable to invest directly they can still pass the resource to a housing association for investment with the same constraints.

RTB receipts can currently be reinvested to fund up to 100% of a new home, with no need for the authority to top up the funding from its own resources or through borrowing as was required previously. Receipts can now be combined with Section 106 funding and from April 2026, with grant funding.

4.3. Welfare Reform

Welfare reforms continue to be a risk to the Council and to the sustainability of the HRA. A period of managed migration between Housing Benefit and Universal Credit is in process nationally, with all legacy benefit claimants expected to have been transitioned to Universal Credit by March 2026. With Universal Credit paid monthly in arrears, as opposed to weekly in advance, the risk of increased rent arrears as tenants move across is significant, and bad debt is expected to increase as a result. There is still no resolution to the issue highlighted when Universal Credit was first introduced, that the system does not recognise the 53rd rent week once every 5 or 6 years, leaving tenants with rent to pay, but without the benefits to support it.

Benefit changes, coupled with an increased cost of living, make housing less affordable for many residents, resulting in potential increased demand for temporary accommodation (a cost which is borne by the General Fund) and council housing, as more households lose private rented accommodation on affordability grounds.

The Council continues to administer Discretionary Housing Payments (DHP's), awarding this funding to residents to alleviate poverty, prevent homelessness, safeguard residents in their homes and keep families together, with a focus on supporting those who are trying to help themselves. Colchester City Council and Colchester Borough Homes staff provide professional support to vulnerable residents by assisting them with applications, supported by welfare benefit specialists who provide one to one advice.

4.4. Demand for Housing

The Council maintains a housing register of people in need of social housing, with households categorised based upon need, to assist with allocating available homes, including those held within the HRA.

The number of households in each banding and the bedroom requirements for those on the register as at 30 September 2025 was:

Table 4.1 – Housing Register Statistics as at September 2025

Banding	Households
A	71
B	760
C	638
D	236
E	752
Total	**2,457**

Bedrooms Required	Households
1	1,162
2	588
3	566
4 / 4+	141
Total	**2,457**

Current housing need by bedroom size of property (General Needs) for priority (band A and B) housing applicants is 208 for 1 bedroom, 99 for 2 bedroom, 371 for 3 bedroom and 113 for 4 bedroom.

Between 1 April 2025 and 30 September 2025, there have been 347 lets, with 207 achieved though the HRA and 140 via Registered Providers. Of these, 148 lets were to accepted homeless households or those on a prevention/relief duty.

As at the end of September 2025 there were 487 households in temporary accommodation of which 56 were in bed and breakfast. During the year so far the Council have accepted a main homeless duty to 149 households with a further 123 households prevented from becoming homeless and 70 households helped through the relief duty. Some of the households in temporary housing will eventually have their housing need met by taking up a tenancy in the HRA, whilst others will move into homes provided by other registered providers or alternatively into private rented accommodation.

4.5. Climate Change & Energy Efficiency

The Housing Asset Management Strategy 2022-27 incorporated an Environmental Strategy, which highlighted the use of a specialist energy efficiency modelling tool to explore scenarios for improving all council homes to an EPC ‘C’ standard by 2030. At November 2025, 1,133 homes fell below the EPC ‘C’ standard as measured by the recently introduced Standard Assessment Procedure (SAP) 10 (699 fell below the standard as measured by the previous SAP 9 criteria), with these being addressed thorough a proactive investment programme.
Energy efficiency improvements to the housing stock also include loft and cavity wall insulation and the installation of Air Source Heat Pumps. Where possible, investment is also made in installing water saving measures and LED lighting.

A budget of £11.25m is included in the capital programme between 2026/27 and 2029/30 to ensure that the remaining homes meet the required EPC 'C' standard by 2030 as a minimum.

4.6. Building Compliance – Including Damp and Mould and Fire Safety

The Building Safety Act 2022 created three new bodies, the Building Safety Regulator, the National Construction Products regulator and the New Homes Ombudsman to provide oversight of a new regime to ensure homes across the country are safer. More stringent obligations now exist in respect of higher risk buildings, such as high-rise blocks of flats, where an accountable person needs to demonstrate effective proportionate measures to manage building safety.

As highlighted above, Awaab's Law came into effect from 27 October 2025, with enhanced requirements in respect of responding to, and dealing with building hazards.

These legislative changes require additional investment in respect of fire safety, structural safety, damp and mould, excess heat and cold, electrical and hygiene hazards, and will ultimately be expanded to cover all risks covered by the Housing Health and Safety Rating System.

We have factored in such compliance works and building safety needs such as fire safety. This will include ongoing electrical inspections, fire risk assessment recommended actions and fire door inspections.

An allowance is currently made in the plan to meet the costs of building compliance works and fire safety works, with detailed works to be specified as they are identified.

4.7. Social Housing Regulation

As referenced in Section 2, the local authority social housing sector remains subject to proactive regulation by the Regulator of Social Housing, in respect of both the Rent Standard and the Consumer Standards.

Compliance with the Rent Standard is routinely monitored through the annual LADR Return, where social housing providers are required to self-report data in respect of stock numbers and average rents for each type of rented tenure offered. The data is subject to a stringent validation process by the Regulator, with any anomalies in the submission robustly challenged. If the Regulator is not satisfied with the responses supplied a more in depth analysis of rent levels will ensue.

The Consumer Standards are regulated through two key routes, the annual publication of the Tenant Satisfaction Measures (TSM's), which cover both the results of tenant surveys against a set of prescribed criteria and a series of statistical data covering building safety compliance, repairs and complaints, and a 4 year rolling programme of inspections by the Regulator.

Registered providers are required to submit their TSM's in June of each year, with data supplied as of 31 March, and could be subject to a programmed inspection at any time, with the Regulator usually providing 6 weeks' notice of their intention to inspect. A non-programmed inspection may take place if the Regulator is made aware of any material issue outside of the planned programme.

Colchester City Council has not yet been subject to a programmed inspection, but remains ready to respond at any time, recognising that the standards being inspected against are best practice, and therefore should be the standard being delivered in any case.

From inspections carried out to date, a lack of current, good quality stock condition data, a lack of information about those living in the rented homes and the delivery of responsive repairs within agreed timescales seem to be key failings.

Following a mock inspection in 2024, where the overall findings were positive, attention has been focused on the areas identified for improvement, which included mapping the terms of reference, key responsibilities and information flows between various committees to make governance arrangements clearer, enhancing performance reporting, undertaking a deep dive into the data underpinning compliance reporting, expanding tenant satisfaction reporting by protected characteristic and demonstrating learning from complaints and interactions. Governance and Audit Committee determined in November 2025 that the action plan arising from the mock inspection had been satisfactorily implemented.

5. Housing Services - Colchester Borough Homes

5.1. Housing Operations

The Council has delegated responsibility for the day-to-day delivery of its housing landlord services to Colchester Borough Homes (CBH), which the Council wholly owns.

The range of services provided include:

- Tenancy and temporary accommodation management
- Rents and service charge collection
- Allocations and lettings
- Leasehold management
- Housing options and advice
- Repairs and maintenance including disabled adaptions and energy efficiency investment
- Resident engagement

Some of the above functions are not related to the landlord service and are instead funded by the Council's General Fund.

CBH is governed by a ten-member board, with one chair, three resident board members, three councillors, and three independent board members. There are three committees, and one panel as follows:

- Finance and Audit Committee
- Operations and Performance Committee
- Governance and Remuneration Committee
- Residents Voice Panel

with an experienced management team leading the provision of services.

The Council retains the client function and monitors the performance of CBH.

5.2. CBH Mission, Vision and Values

CBH's mission is to deliver great value services that make a difference and its vision is to enable customers, colleagues and communities to thrive.

CBH is committed to a set of key values ("The CBH Way") and focus on:

- Building Trust - We will work with customers to build trust in our service.
- Delivering Customer Led Services - We will work with customers to improve what we do and promote fair and equal services for all.
- Commitment to Our Communities - We will offer customers services they can rely on, which respect the needs of the community and individuals.

- Delivering Professional Services - Our staff are highly trained to enable customers to receive a knowledgeable response.
- Providing Value for Money - in everything we do.

In conjunction with the Council's Housing Strategy, CBH has its own Strategic Plan (2022-2027), focusing on customer, colleagues and communities.

By 2027, for customers, CBH aims to:

- be 100% compliant from a regulatory perspective
- increase overall customer satisfaction by 5%
- increase satisfaction that they listen and act on views by 10%
- be in the top quartile for satisfaction with repairs
- increase the view that they are easy to deal with by 1% each year

By 2027, for colleagues, CBH aims to:

- hold an Investors in People Platinum Award
- increase staff satisfaction with CBH as an employer by 5%
- increase staff who would recommend CBH as an employer by 5%

By 2027, for communities, CBH aims to:

- have less than 2.9 per 1,000 households in temporary accommodation
- have increased the number of homes developed or managed by 350
- be in the top quartile for satisfaction with the neighbourhood as a place to live
- increase the number of homes with an EPC 'C' rating by 5%
- have no ward in Colchester in the top 10 decile for deprivation

It should be noted that CBH's Strategic Plan is also wider reaching than the provision of HRA services, and covers Housing General Fund activity, such as homelessness and temporary housing.

5.3. Leaseholder Services

CBH manages the leaseholder service and provides a handbook with all of the important information to over 1,000 homeowners.

The handbook explains rights and responsibilities, clarifies the approach to repairs and who is responsible for what, details how CBH calculates and collects service charges and manages shared amenities.

5.4. Supported Housing

CBH also manages the supply of sheltered and extra care accommodation for the council, with 20 sheltered housing schemes providing independent accommodation for those over 60 (55 in specific circumstances), with a 24-hour monitoring and response service and a team of visiting support officers.

There is also one extra care scheme, offering the benefits of sheltered housing, with the addition of personal care and support being available from an on-site team, alongside a 7 days per week catering provision, with these additional services provided by two separate suppliers.

5.5. Anti-Social Behaviour

In Colchester, everyone has the right to live in a safe environment that allows them to enjoy their home and community. We expect our tenants, members of their family, including children or visitors to their home, to show consideration and tolerance towards their neighbours and the wider community, and for them to be entitled to receive the same in return.

CBH manages any complaints of anti-social behaviour, contacting the complainant within 5 working days (1 working day in respect of serious incidents or hate crime).

The anti-social behaviour service covers a range of actions to mitigate the impact of such behaviour and includes issuing agreements and action plans, improving security and facilitating mediation.

5.6. Resident Engagement

Both CBH and the Council want tenants and leaseholders to have a real influence in both services and what happens in the community, which is fully supported by the new Consumer Standards.

This is achieved through the following:

- Annual General Meeting – face to face meeting reviewing all services over the past 12 months
- Complaints Focus Group – an opportunity to provide direct feedback to improve services
- Resident Voice – informal discussions to help inform positive changes to the services
- Tenant Inspectors – trained residents independently inspect the service provided by, or commissioned by, the landlord
- The Reading Panel – reads and proposes improvements to all printed / electronic communication materials, with amendments based on the feedback from this pool of tenants
- Quality Assurance Advisors – volunteers who monitor the communal areas of flats
- Greenstead Housing Panel – an opportunity for residents on this estate to help make the estate a better place to live
- Leaseholder Focus Group – shape, improve and scrutinise services provided to leaseholders
- The Board – through its membership the board consists of CBH customers to ensure the wider customer base is represented and meetings are open to the public

- Tenant and Leaseholder Satisfaction Survey - tenants and residents are able to record how they feel about the services provided to help inform resource planning.

Table 5.1 - Tenant Satisfaction Survey Results 2023-25

Tenant Satisfaction Measure	Result 2023/24 %	Result 2024/25 %	Result 2025/26 %	Change 24/25-25/26 %	English LA Median 2024/25 %
TP01 – Overall satisfaction (%)	68.0	72.6	**78.1**	+5.5	70.4
TP02 – Satisfaction with repairs (%)	68.0	74.7	**75.3**	+0.6	72.3
TP03 – Satisfaction with time taken to complete the most recent repair (%)	63.0	69.2	**72.2**	+3.0	63.0
TP04 – Satisfaction that the home is well maintained (%)	66.0	69.5	**75.9**	+6.4	70.3
TP05 - Satisfaction that the home is safe (%)	67.0	74.5	**76.5**	+2.0	76.5
TP06 - Satisfaction that the landlord listens to views and acts on them (%)	49.0	52.5	**60.2**	+7.7	57.4
TP07 - Satisfaction that the landlord keeps tenants informed about things that matter to them (%)	56.0	64.7	**67.5**	+2.8	68.6
TP08 - Agreement that the landlord treats tenants fairly and with respect (%)	67.0	74.0	**77.0**	+3.0	75.2
TP09 - Satisfaction with the landlord's approach to handling complaints (%)	33.0	32.4	**42.1**	+9.7	32.5
TP10 - Satisfaction that the landlord keeps communal areas clean and well maintained (%)	58.0	61.7	**66.7**	+5.0	63.5
TP11 - Satisfaction that the landlord makes a positive contribution to neighbourhood (%)	56.0	57.4	**62.0**	+4.6	61.4
TP12 - Satisfaction with the landlord's approach to handling anti-social behaviour (%)	54.0	57.7	**59.0**	+1.3	56.8

A regular publication, Housing News and Views, provides the latest information on services, meetings, surveys and what is happening in the community.

6. Housing Asset Management Strategy

6.1. Background to the Asset Management Strategy

The current Housing Asset Management Strategy 2022-2027 sets out long term plans for the strategic management of the assets and a number of key actions to improve both services and operational delivery.

A review of the current Asset Management Strategy is currently in progress, with the new strategy anticipated to be presented for approval in January 2026.

In respect of the current Asset Management Strategy, a number of key actions have been completed including, a review of no-access to homes to ensure building safety compliance, development of a disrepair policy, implementation of the NEC Asset Management software, completion of appraisals in respect of non-traditional constructed homes, completion of a health and safety compliance audit, ensure compliance with the Fire Safety Act 2021 to include sheltered schemes and completion of an environmental impact assessment.

The remaining actions are being progressed during 2025/26.

6.2. Purpose and Measurement

The purpose of the Asset Management Strategy can be summarised as follows:

- To define the Council's position with regard to asset management and how this aligns to core business objectives
- To define needs, future trends and issues influencing these
- To define the stock, its condition, use, and re-investment required over the next 30 years
- To identify the risks and issues relating to the assets and how these may be mitigated
- To define the methodologies and implementation processes for the Asset Management Strategy
- To establish frameworks and templates for monitoring, recording, and evaluating performance.

The Housing Asset Management Strategy (HAMS) contributes to the delivery of the business plan, with the strategic asset management objectives ensuring that the properties the Council owns:

1. Are appropriately maintained in accordance with an agreed Colchester Standard on an agreed programmed cycle;
2. Meet all regulatory standards (including building safety compliance and adherence to latest legislation) and Landlord Obligations, including the Homes and Communities Agency's (HCA) Homes Standard;
3. Are located in well managed and attractive environments that feel secure and welcoming;
4. Are healthy and safe places to live (free from Category 1 Housing Health and Safety Rating System hazards);

5. Are viable and deliver a positive yield over the business planning period (ideally with an improving Net Present Value (NPV) and high levels of demand);
6. Meet the needs and aspirations of both current and future residents, contributing to high levels of satisfaction (with both the property and the neighborhood);
7. Deliver an environmental and sustainability strategy which addresses the impacts of climate change, delivers the housing stock to net zero carbon by or before 2050. Using green technology and innovation to deliver these objectives.
8. Continue to improve and modernise available housing for older people;
9. Encourage green technologies and innovative solutions to the climate emergency;
10. Enable Community Development which positively supports the local community

To deliver its Housing Asset Management Strategy, Colchester must ensure that the requirements of the stock are affordable in the context of its Business Plan, and that this is 'joined up' with competing pressures for Housing Revenue Account (HRA) finance including the delivery of aspirational improvements within the existing stock, such as energy efficiency projects, and new build provided through the Housing Futures Programme.

The Council will regularly monitor its asset management performance, including the following measures:

1. Compliance with the 'Home Standard' (this has now changed to the Safety and Quality Standard)
2. Proportion of stock meeting the Decent Homes Standard
3. On target achievement of H&S compliance activities
4. Average SAP rating
5. Percentage of Stock at EPC band C
6. Estimated CO_2 emissions
7. Demand for homes
8. Number of long-term voids
9. Yield (NPV) per property/block/garage (ideally with an increasing NPV over time)
10. Delivery of Social Value objectives e.g. apprenticeships
11. Customer satisfaction with: a. the home
b. works and services provided
12. Number of disrepair cases.

These measures will be kept under review to take account of both national and local policy changes.

6.3. Investment Standard

The aspirations of tenants and leaseholders were considered in the Housing Asset Management Strategy, within the constraints of the finances available.

When the business plan was last reviewed and updated in July 2025, it was necessary to reduce the aspirational investment standard to a standard referred to as ‘Decent Homes Plus’, with a cost at base year prices of £341 million over 30 years. This excluded fees and overheads, disabled adaptations, works to garages and investment in sheltered housing. Work to achieve Net Zero Carbon, estimated to cost £344 million was also excluded. This was done to ensure both a sustainable HRA, with borrowing maintained within affordable levels, and also to achieve a balance between keeping rents affordable, maintaining homes to an appropriate standard and delivering a supply of new homes to meet housing need.

Residents were fully engaged in the decisions surrounding the level of investment in both their homes and the surrounding areas, recognising that residents should be able to expect a good service, choice, and value for money to be provided in return for paying their rents and service charges. The Council also needs to ensure that the housing stock is maintained in a good condition and that it meets regulatory expectations (including the Decent Homes Standard), with any health and safety or building compliance issues being fully addressed within any standard being delivered.

CBH has a suite of standards that it adheres to, with the following relating to the home and surrounding area:

- Safety and Quality Standard – covering repairs, adaptations, capital investment and safety and maintenance
- Neighbourhood and Community Standard – covering estate services and assisted gardening

Colchester undertakes rolling Stock Condition Surveys, over a 5-year programme to continually assess the condition of the housing stock. Data is held in the Asset Management Database (Northgate Public Services by NEC).

The Decent Homes Standard is the statutory minimum level of investment required in the housing stock, whilst the Decent Homes Plus Standard includes all of the basic building component replacements that are required under the Basic Decent Homes standard, but also incorporates:

- Insulation works
- Netting to solar panels
- Replacement soffits, facias and gutters
- Estate improvements
- Repairs to unadopted road
- Flooring and handrails in communal areas
- Sheltered housing improvements

This standard also allows flexibility to replace some components more frequently, where required.

The ‘Decent Homes Plus’ level of investment now equates to £56,560 per property in respect of base decent homes stock investment, but when overheads, stock condition surveys, and other investment in HRA assets, such as disabled adaptations are included, the investment per property rises to £70,050 per property. This level of investment is consistent with recent benchmarks for overall investment within the social housing sector[2].

Investment at the Decent Homes Plus Standard is detailed in the table below:

[2] *Benchmarks based upon LGA research undertaken in 2024 (which were in the region of £62,000 nationally, higher in London), but with these averages now rising to around £69,000 as more condition surveys are completed’; https://www.local.gov.uk/publications/housing-revenue-account-research-update*

Table 6.2 – 30 Year Decent Homes Plus Investment

Work Programme		
	5 Year Cost	30 Year Cost
Capital Voids	2,300,000	13,800,000
Emergency Capital	1,250,000	8,750,000
Compliance Assurance	400,000	2,400,000
HHSRS	3,750,000	22,500,000
Building Safety	8,000,000	38,000,000
Insulation Works (Loft and Cavity)	500,000	3,000,000
Net Zero Carbon Works	11,249,025	11,249,025
Roof - Flat	2,737,684	12,525,254
Roof - Pitched	5,270,278	28,181,469
Structural	1,940,000	22,698,784
Windows & Doors	5,776,362	28,984,452
Kitchens	1,826,300	62,666,103
Heating	3,312,978	10,944,852
Bathrooms	533,650	1,308,000
Re-wires (EICRs)	1,900,000	11,400,000
Asbestos	3,500,000	21,000,000
Legionella	600,000	3,600,000
PV maintenance & Netting	950,000	5,700,000
External Replacements	500,000	5,500,000
Estates & Boundaries	750,000	4,500,000
Highways	1,250,000	7,500,000
Block Communal Improvements	1,300,000	7,800,000
Sheltered Works	750,000	4,187,500
Stock Condition Surveys	750,000	4,500,000
Contingency	1,000,000	6,000,000
Garage Investment	500,000	500,000
Aids & Adaptations	3,750,000	18,750,000
Fees and Overheads	8,701,942	55,191,816
Other	250,000	800,000
Re-phasing from 2025/26	2,974,000	2,974,000
	78,272,218	426,911,254

At the end of March 2025, 33 homes (0.5%) were deemed 'non-decent' in accordance with the statutory Decent Homes Standard definition, with plans to ensure that all homes will meet or exceed this minimum standard in future.

6.4. Performance of our Stock

The Council and Colchester Borough Homes use the NEC Asset Performance Module, an integral part of the NEC Asset Management software, to allow asset viability modelling to be carried out on a property-by-property basis, taking account of investment requirements and future rental streams, alongside occupancy levels, and social deprivation factors, to inform asset management decision making.

An asset performance dashboard summarises costs and revenues, calculating the Net Present Value (NPV) of the assets, either individually or by group. Data can be displayed in tables, graphs and in map form to identify trends and aid decision making. The software ensures that viability is considered on a routine ongoing basis, and not just as part of a periodic exercise.

Poorer performing assets are subject to a detailed options appraisal in the light of housing needs in the local area.

6.5. Sheltered Stock

Previous reviews of the sheltered housing stock identified that investment in some of the sheltered schemes was required to improve void performance by delivering 'fit for the future' homes that would be popular with older people, and funding was incorporated in to the business plan to allow this.

Elfreda House was completed in November 2024 and improvement works were also carried out to a number of existing sheltered schemes.

Colchester currently has 20 sheltered schemes, providing accommodation to 543 households. and 1 extra care scheme accommodating 38 households.

As part of the update of the Asset Management Strategy, a Sheltered Housing Investment Strategy is to be developed, to ensure that long-term plans are in place to provide fit for purpose accommodation for older people to meet future needs and expectations. This will ensure that the future demand for sheltered housing is fully understood, and the ongoing investment need in the sheltered housing stock is identified, allowing the Council to consider the best course of action for sheltered housing provision across the city.

6.6. Future Costs to be Identified and Included

There are some areas of future investment where costs are not currently incorporated into the business plan. Where financial information is available, the investment has been modelled as a sensitivity, and where costs are awaited, these will be incorporated into future iterations of the plan when they are available.

These include:

- Net Zero Carbon: The current business plan includes some resource for energy improvements until 2029/30, to ensure that all homes achieve a minimum of an EPC ‘C’ standard by 2030. There is currently no further energy investment incorporated after this, with the costs to improve homes from an EPC ‘C’ standard to a Net Zero Carbon standard now being a higher estimated cost of £77,860 per or £474 million at base year prices, including staffing on costs. This level of investment is not affordable within the current business plan and any further investment in this area is currently subject to the ability to secure grant funding. The full costs of delivering Net Zero Carbon has been modelled as a sensitivity. Based upon grant received as part of the Wave 2.1 funding programme, a grant rate of 40% has been assumed as an alternative Net Zero Carbon investment sensitivity, which would reduce the net investment to £46,710 per dwelling or £285 million.

- Decent Homes 2 & Building Safety: At the time of writing this report, the consultation outcome is awaited in respect of the detail surrounding the new Decent Homes Standard. The new standard is anticipated to increase cost in the HRA, which will need to be incorporated into a future iteration of the business plan. However, the current baseline business plan includes investment in the existing housing stock at a Decent Homes Plus standard, which if required, allows some flexibility to reallocate the additional resource into areas of statutory investment if required.

7. Future Development & Acquisitions

7.1. The need for Additional Homes

Demand for affordable housing in Colchester continues to outweigh supply, which is a common picture across the UK. The position is exacerbated by the loss of stock through the Right to Buy process, although the negative impact of this on stock numbers is anticipated to reduce going forward, now that the discount levels available through the scheme have reduced.

A variety of routes are considered to acquire and develop new homes, with the Council continuing to re-acquire properties that were historically sold under Right to Buy, from the open market. With the agreement of Homes England, the City Council charges an “Affordable Rent” capped at the Local Housing Allowance level, which helps ensure developments and acquisitions are viable.

7.2. Existing Programme

The acquisition and new build programme incorporated as part of the 2025 review of the business plan included funding for 439 homes, a number of which have been, or will be, delivered during 2025/26.

From April 2026, the business plan includes the funding to deliver:

- 136 new homes as part of the Heart of Greenstead scheme
- 28 new homes on the Military Road site
- 80 acquisitions
- 90 buy-backs
- 42 new homes on a mix of small and medium development sites

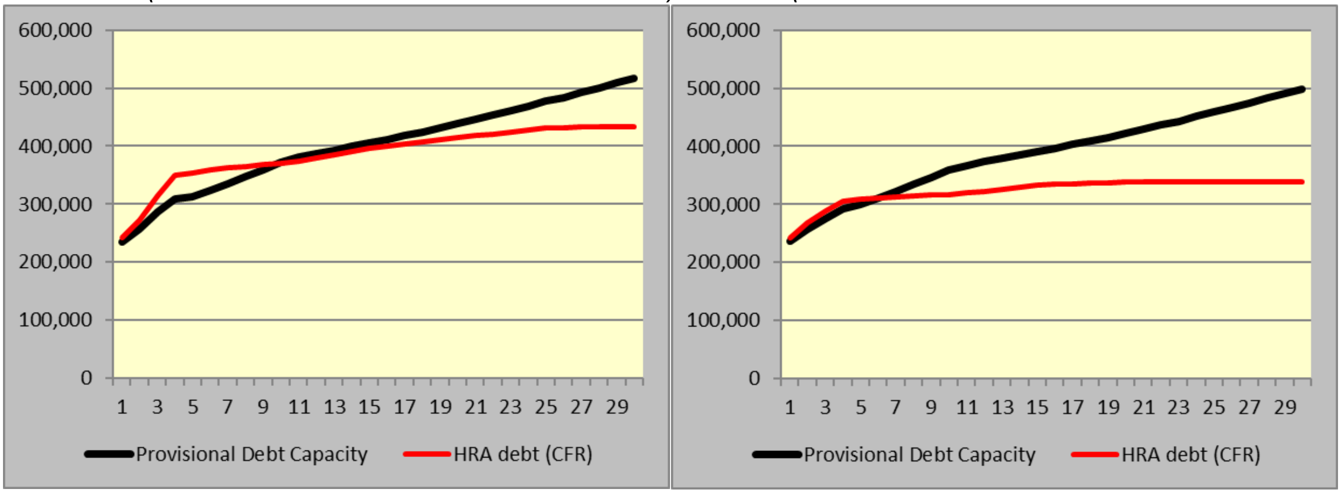
The homes will be funded with a mix of assumed Homes England Grant, 1-4-1 Right to Buy receipts and borrowing. Viability of these schemes will need to be assessed as each acquisition or development is brought forward and will be dependent upon securing Homes England grant funding and the future availability of Right to Buy receipts.

The Heart of Greenstead scheme is currently included based upon high level assumptions of both the costs and potential grant funding for the scheme and the estimated number of units which may be deliverable on the site. The expectation is that 24 homes and a small number of commercial premises (shops) will need to be demolished in order to deliver the estimated 136 new and replacement homes. The anticipated loss of 24 dwellings has been incorporated into the business plan, whilst the loss of commercial rental income will impact the General Fund, so has not been reflected, but will need to be taken into consideration for General Fund budgeting purposes.

As modelled currently, the scheme does not necessarily deliver value for money for the HRA in financial terms, however, further planned work on financial viability will provide greater certainty. The HRA funded Heart of Greenstead work forms part of a wider regeneration scheme that brings added non-financial value to the area and local community.

To illustrate the impact of the scheme as currently incorporated into the business plan financial model, the graphs below show the forecast HRA debt position both with, and without the Heart of Greenstead included.

Charts 7.1 (HRA Debt with the Heart of Greenstead) and 7.2 (HRA Debt without the Heart of Greenstead)



Without the Heart of Greenstead incorporated into the business plan financial model, the level of borrowing is reduced by £94m and is within a level that might be considered ‘prudent’ in risk management terms from year 6 onwards, as opposed to year 10 if the scheme is incorporated as currently assumed.

7.3. Future Programme

Delivery of additional homes in the first 4 years of the plan will only go some way to meeting the need for affordable housing in Colchester. The acquisition and new build programme is therefore reviewed on a rolling annual basis to extend the period over which additional homes are delivered, subject of course to available funding and the ability of the HRA business plan to support any additional borrowing required.

Viability assessments continue to be carried out on a scheme-by-scheme basis, before a scheme is approved to proceed, with the assessments adopting a set of key assumptions, which are reviewed annually in line with any changes in the business planning assumptions. These assumptions have been reviewed as part of this update of the business plan as follows, and will be used for all future viability assessments:

Financial Assumption	1 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30
Management Cost (£ per unit per annum)	206	206	206	206	206	206
Maintenance Cost (£ per unit per annum)	206	618	618	618	618	618
Major Repairs (£ per unit per annum)	0	0	1,030	1,030	2,060	2,060
Voids and Bad Debts (%)	1.71%	1.71%	1.71%	1.71%	1.71%	1.71%
Rent Inflation (%) *	3%	3%	2%	2%	2%	2%
Cost Inflation (%)	2%	2%	2%	2%	2%	2%
Interest Rate / Discount Rate (%)	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
Cashflow Period (years)	50	50	50	50	50	50

* The rent increase for year 1 (2026/27) will be 4.8% and for year 10 (2035/36) is assumed to be 2%

Assumptions such as rent increases, voids, bad debts, inflation and interest rates are standard business planning assumptions, and the viability assessment assumptions are matched to these each year. Management, maintenance and major repair costs are a little more subjective, and as such were arrived at as part of the last iteration of the business plan using benchmarks derived from other available local authority business plans. These costs have been inflated as part of this update of the business plan, as revised benchmarks are not yet available.

Although additional Homes England grant funding was announced as part of the current Affordable Homes Programme (2021-2026), this requires start on site by March 2027. Details of the Affordable Homes Programme for the following 10 years (Affordable Homes Programme 2026-2036) were announced in November 2025, with a commitment to deliver 1.5 million social and affordable homes, with 60% of the new homes to be delivered at social rents, whilst also encouraging council housebuilding and the delivery of supported and community led housing.

The Council will continually evaluate the acquisition of homes on the open market, to ensure that retained Right to Buy receipts are reinvested within the required timescales, with the ability to use receipts to fund up to 100% of the cost, helping to ensure that no receipts have to be passed to government.

We will continue to explore all opportunities for new development as they arise, whilst ensuring that any such new build is viable and not detrimental to this plan.

8. HRA Financial Projections

8.1. HRA Finance

The HRA is a ring-fenced account within the Council's General Fund and is effectively the council's social housing landlord function. Self-financing for the HRA was introduced in 2012, removing some of the uncertainty caused by the previous annual HRA subsidy announcements and allowing longer term financial planning for the ring-fenced account. However, government control was maintained over rent setting, effectively constraining the ability to manage the housing business fully at a local level.

Since 2012, social landlords have seen a four-year programme of 1% reductions in rent, the ability to convergence social rents to full formula rent levels was removed, except at re-let and in April 2023, rents were constrained to a 7% increase when CPI plus 1% would have seen an 11.1% rise. Over the same period operational costs, such as pay, third-party labour, materials, utilities and construction have increased at significantly higher rates, putting pressure on HRA finances across the country.

The cost of borrowing has also increased significantly, with 30-year HRA borrowing rates of around 3.5% when the Self-Financing borrowing was taken out, compared with rates of just under 5.8% being available to the HRA currently. When the HRA Self-Financing borrowing was taken out in 2012 lower rates were secured for shorter-term loans, which for many local authorities now require re-financing.

The ability for tenants to exercise their Right to Buy remains, but with recent changes (some subject to parliamentary approval) requiring a longer qualifying period, reducing discount levels and exempting new homes from the process anticipated to significantly reduce activity in future years.

The core components of the HRA are rent and service charge income, partially offset by revenue maintenance of the housing stock, management costs, depreciation of the housing stock (which funds major repairs) and debt interest payments. This leaves a revenue surplus, allowing the Council to also make revenue contributions to capital expenditure.

The reintroduction of rent convergence, if and when confirmed, would have a materially positive impact on the business plan, but would not offset the impact of the adverse changes that have occurred over the last decade.

8.2. The HRA Business Plan financial model

Supporting the annual HRA budget process each year is a 30-year financial model, which is maintained by the Council, with ongoing support from Savills who developed the model. The financial model assists us with both short and long-term planning.

The Savills financial model provides the basis for the financial elements of this business plan and is launched from April 2026 (based upon the estimated closing position for 2025/26) with the assumptions behind the forecasts contained in Appendix 1.

8.3. Treasury Management

The HRA debt is measured by the HRA Capital Financing Requirement (HRA CFR) and is estimated to be £221 million at 1/4/2026 as part of the financial modelling undertaken to support the business plan.

In Colchester, the Council's overall CFR is financed through a portfolio of loans that have been taken out over a series of years, to meet the funding requirements for both the General Fund and the HRA, under a 'single pool' approach. This results in the HRA being charged interest against the HRA CFR, based upon an average rate. This is an alternative to having a 'two pool' approach where a portfolio of loans with fixed interest rates is directly attributable to the HRA.

The Council borrows and invests in accordance with the Treasury Management Strategy and plans for any anticipated borrowing through this financial strategy, relying upon the HRA Capital Budget, Medium-Term Financial Forecast and Business Plan to inform short and long-term HRA borrowing requirements.

The Council is expected to set its own prudential borrowing limits based on appropriate industry indicators, as adopted by other local authorities and the Private Registered Provider sector, to ensure existing and future planned borrowing is both affordable, and within a prudent level from a risk management perspective.

There are a number of metrics that can be adopted to ensure a prudent level of borrowing, including measuring debt against asset value or against turnover, or using an interest cover ratio, The latter is the more commonly adopted metric for local authorities, as it best considers the risks around having the ability to support the debt on an annual basis.

The ICR is calculated as operating surplus divided by interest costs, and represents the cover that the HRA has against its interest cost liabilities in any year after taking into account transfers from the HRA to the Major Repairs Reserve (MRR) for depreciation, which in turn is then used to finance the capital programme. This approach to ICR recognises that the Council has flexibility in the way it uses HRA net income after depreciation. It can either use this surplus revenue to top up depreciation to the MRR, as revenue contributions to the capital programme (RCCO), to borrow against, or to pay down debt.

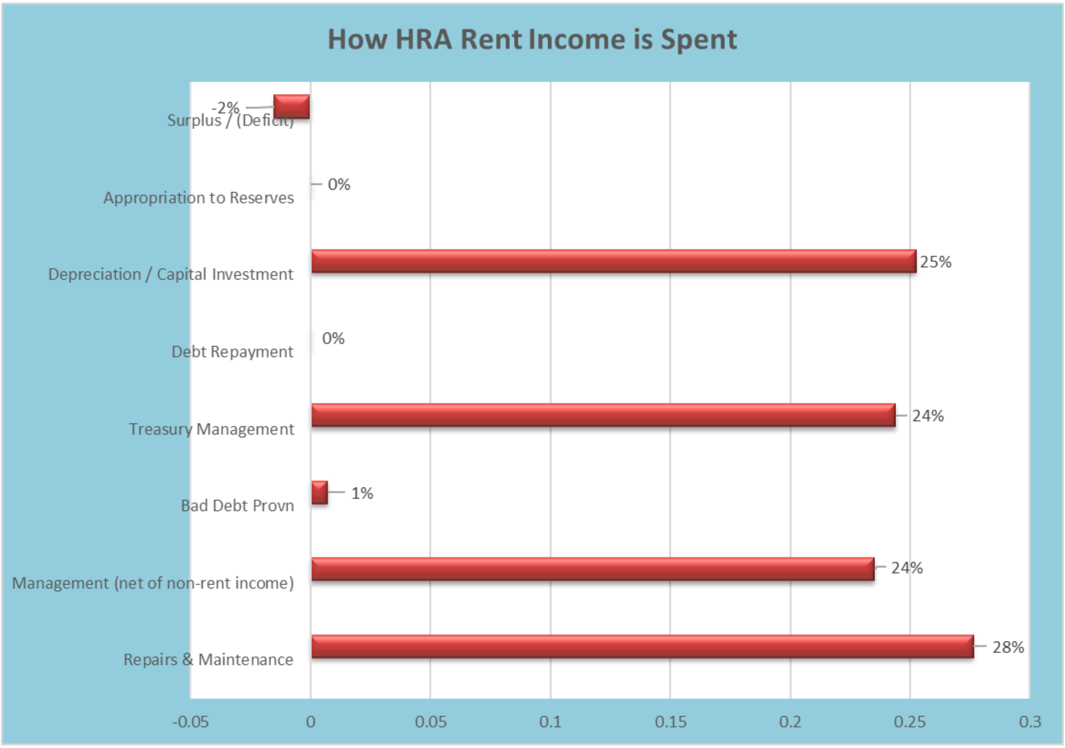
An interest cover ratio of 1.00 assumes that you will just have sufficient resource to meet the interest liability, but a common 'golden rule' of 1.25 is often used, providing a 'cushion' to allow for any unexpected increase in costs in any year or unanticipated loss of income.

The ‘prudent’ interest cover ratio of 1.25 has been retained as part of this iteration of the HRA Business Plan, recognising that if the HRA falls below this level, enhanced risk management is required to ensure that the level can be returned to in future years. It is not uncommon to drop marginally below the prudent level during a period of investment in new homes, where borrowing is carried in advance of the business plan realising the income from the new assets.

8.4. How the Rent is Spent

The following chart shows how rental income is spent based on year 1 of the HRA Business Plan, which begins in 2026/27:

Chart 8.1 – How the HRA Income is Spent



The above chart shows that in 2026/27, the HRA budget is set, with a small (planned) revenue deficit assumed to bring reserves down to the agreed minimum level of 10% of rent income, ensuring that existing available resources are utilised to finance capital investment, before further borrowing is considered. Combined management and maintenance expenditure account for 52% of the rental income.

Based upon benchmark data available for all stock retaining local authorities, Colchester’s spend in respect of management and maintenance as a proportion of rent income, remains at broadly average levels when compared with other local authorities in the Eastern Region and other district councils, and below the national average.

8.5. Long-Term Capital Expenditure Forecasts

The table below shows the forecast capital investment in the existing housing stock over the next 30 years, at the Decent Homes Plus level currently being delivered. These are at today's prices and will be subject not only to inflation and reduction for stock losses through Right to Buy for example, but also to increases in respect of the new homes delivered within the plan.

Table 8.1 – 30 Year Capital Programme (Existing Stock)

	Year 1 2025/26	Year 2 2026/27	Year 3 2027/28	Year 4 2028/29	Year 5 2029/30	Year 6 to 10 2030/1 - 2034/5	Years 11 to 15 2035/6 - 2039/40	Years 16 to 20 2040/1 - 2044/5	Years 21 to 25 2045/6 - 2049/50	Years 26 to 30 2050/1 - 2054/5	Total
Decent Homes Plus Standard	16,012,819	13,245,516	13,123,766	12,376,166	9,562,010	50,907,351	64,584,230	57,938,515	57,796,657	51,622,407	347,169,438
Stock Condition Surveys	150,000	150,000	150,000	150,000	150,000	750,000	750,000	750,000	750,000	750,000	4,500,000
Garage Sites	100,000	100,000	100,000	100,000	100,000	0	0	0	0	0	500,000
Disabled Adaptations	750,000	750,000	750,000	750,000	750,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	18,750,000
Other	250,000	0	0	0	0	50,000	100,000	100,000	150,000	150,000	800,000
Fees and Overheads	1,740,388	1,740,388	1,740,388	1,740,388	1,740,388	9,297,975	9,297,975	9,297,975	9,297,975	9,297,975	55,191,816
	19,003,207	15,985,904	15,864,154	15,116,554	12,302,398	64,005,326	77,732,205	71,086,490	70,994,632	64,820,382	426,911,254

The above costs exclude day to day repairs, void repairs and cyclical maintenance costs, which constitute the 28% element of the rent income to the HRA in the graph above.

Funding for works to improve garage sites is included in the first 5 years, and to carry out future planned works to St Edmunds House, with an additional £250,000 incorporated in 2026/27 to complete the initially agreed works. An annual provision of £600,000 is incorporated to cover disabled adaptations from year 6 onwards, with marginally higher levels of investment in the first 5 years. Fees and overheads are included at 15% of the value of direct investment, but has been smoothed across the plan to facilitate delivery.

The above excludes the expenditure for development and acquisitions.

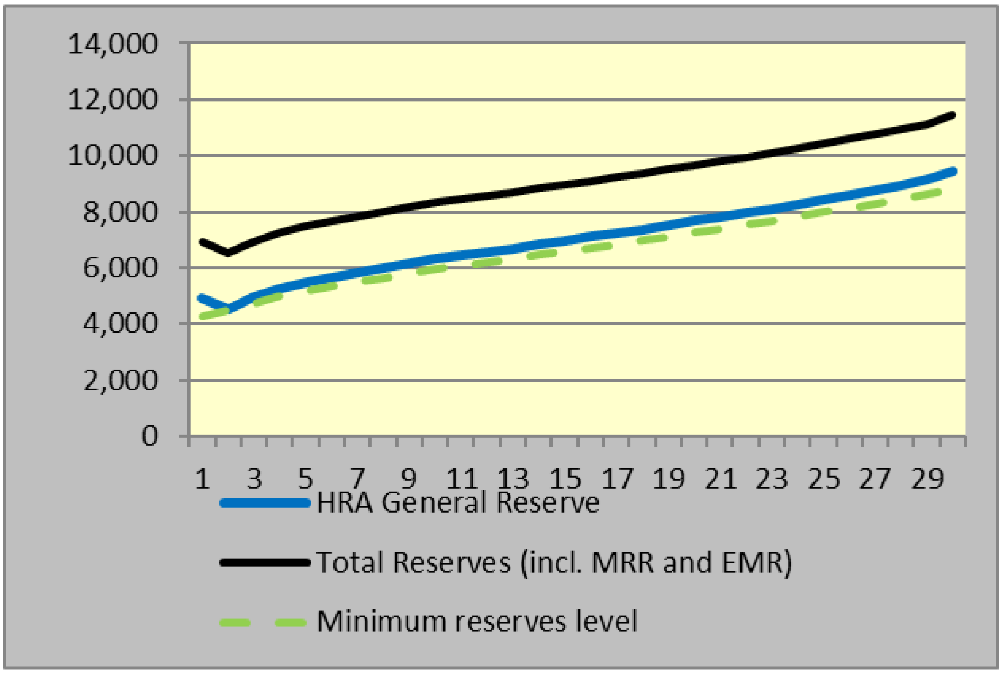
8.6. Long-Term Financial Forecasts

The following graphs are outputs from the HRA Business Plan model for both revenue and capital.

<u>Revenue Projections</u>

The chart below shows HRA reserves maintaining a minimum balance of £4.29m for 2026/27, which represents 10% of income, and which is then increased annually in line with income assumptions. The maximum level of remaining resource is then available for the HRA to use to finance capital expenditure. Alongside the £4.29m general reserve, an ear-marked reserve of £2.0m was created in 2025/26 as a result of underspending in 2024/25, to allow a revenue contingency for unforeseen events. If this is not required in any year, it is rolled forward into future years. If spent, the intention would be to replenish it as soon as resources allowed.

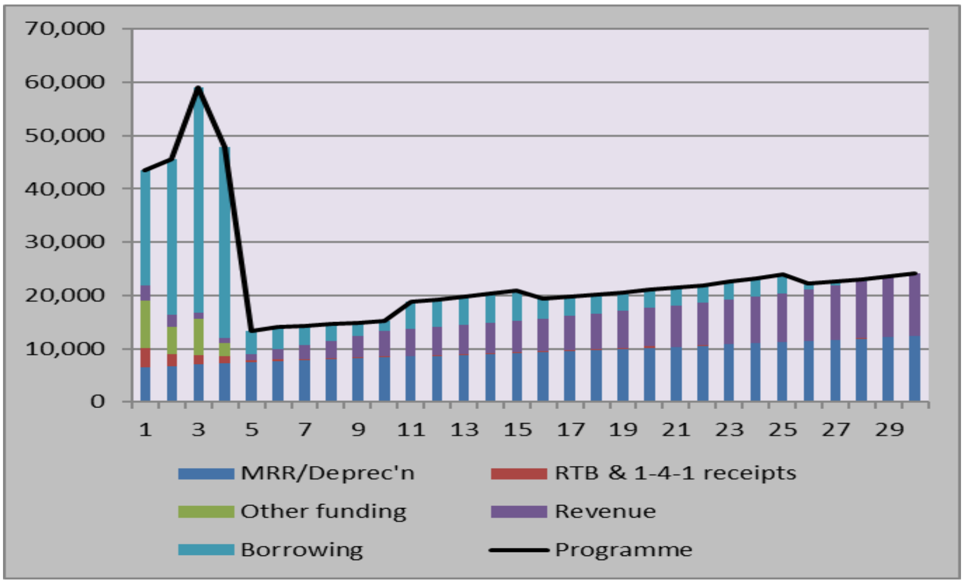
Chart 8.2 – HRA 30-Year Revenue Reserves Forecast



The blue line shows the projected closing general reserves balance for the HRA for each year, set against the minimum reserves level (green dotted line). The graph demonstrates that reserves can be maintained at or just above the minimum level throughout, with any additional revenue surpluses utilised to finance capital expenditure, to reduce the need to borrow to a degree.

<u>Capital Projections</u>

Chart 8.3 – 30-Year Capital Programme and Financing in £'000

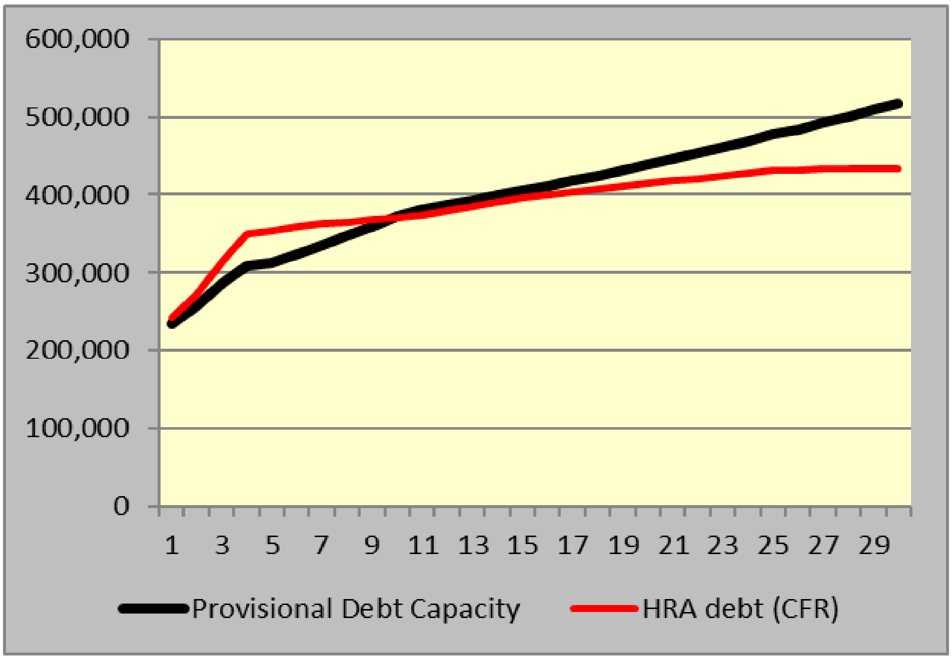


This graph shows the level of capital expenditure depicted by the black horizontal line and the vertical lines demonstrate how the expenditure is financed. The capital programme is fully financed, but with borrowing required until year 28 of the plan, with this relating solely to investment in the existing housing stock from year 5 onwards.

8.7. Long-Term Financing Position & Investment Capacity

In order to finance the levels of capital expenditure demonstrated above (chart 8.3) the projected debt (HRA CFR) is demonstrated in the graph below.

Charty 8.4 – Projected Initial debt profile (HRA CFR) and Provisional debt capacity in £'000



HRA borrowing (the red line) is expected to increase until year 28 of the plan to an estimated £433m, to meet both the investment need in the existing stock, and in the early years, investment in the delivery of new homes, as revenue surpluses are insufficient to fully support operational costs, borrowing costs and the ongoing investment required in the stock.

The provisional debt capacity (the black line) in the chart above is measured on the basis of the Interest Cover Ratio (ICR) which sets out one basis for determining a prudent limit on borrowing based upon the underlying net income generated within the plan. In the early years, the level of borrowing is above the 1.25 golden rule level that may be considered 'prudent' in terms of risk management, but the gap is closed by year 10, once the additional income from rent increases at CPI plus 1% for 10 years and the net rental stream from the new homes being delivered begins to increase the net operating surplus. By year 10 an interest cover ratio of 1.26 is forecast, increasing to 1.53 by the end of the plan, when additional investment capacity exists. The risks in the early years will need to be carefully managed, with costs and incomes kept under regular review, to allow mitigating action to be taken if required.

As explained earlier in the report, the ICR is calculated as operating surplus divided by interest costs, and represents the cover that the HRA has against its interest cost liabilities in any year; the ICR is set to a minimum which provides comfort that if there were a sudden drop in income or increase in operating costs, there would be sufficient headroom to continue to cover debt interest. For housing associations, the usual definition of operating surplus is EBITDA-MRI (Earnings before Interest, Tax, Depreciation and Amortisation – Major Repairs Included).

For the HRA, operating surplus is best defined as:

- Turnover (dwelling rents, other rents, service charges, contributions)
  less
- Operating Costs (general management, special management, other management, repairs & maintenance, depreciation contribution to major repairs).

In the HRA, because of the treatment of depreciation as a cash transfer to the Major Repairs Reserve (MRR) plus an adjustment to reflect actual transfers to MRR, it is essential to include the net amount transferred to MRR in the calculation. This represents revenue expenditure on major repairs made legitimately as part of operating costs. Notwithstanding that these are subsequently treated as part of the capital programme, they are funded from revenue and properly an operating cost.

The net operating surplus determining the availability of revenues to cover interest payments can also be expressed in %age terms as “operating margin”. The operating margin within the baseline plan starts at around 26% and rises to circa 35% over the long-term. Margins are within, or above, benchmark levels when compared to other local authorities throughout, and improve as income is assumed to increase at a faster pace than expenditure, particularly in the first 10 years.

8.8. Impact of Opportunities and Ongoing Review

Given the ongoing financial challenges facing the HRA in Colchester, with borrowing forecast to be at levels which will require careful management over the next few years, there is not considered to be any additional investment capacity until year 10.

However, this is based upon a set of assumptions made at a point in time, and it is imperative that the business plan is reviewed on a regular basis, and that the investment strategy for the existing stock is routinely reviewed, whilst development and acquisition opportunities are explored to ensure that delivery is maximised. As part of this, opportunities to secure external funding for the delivery of new homes and to fund works to ensure the housing stock meets Net Zero Carbon standards will be fully explored.

Recognising the inherent risks in the business plan, particularly in the earlier years, financial forecasts for the current year are reviewed on a quarterly basis, and the financial model that supports the HRA Business Plan is updated every 6 months, to take account of any changes in costs, income or business planning assumptions. The external factors included in Appendix 1 will be used as the basis for the biannual update of the financial model, with the direction of travel for each of the assumptions measured against its previous position. This approach will highlight any areas of concern and allow the Council to consider and implement mitigations if required.

8.9. Key Risks and Sensitivities

It is critical that the Council is aware of the risks that the housing business is subject to from a business planning perspective, and that these are monitored, with mitigations in place wherever possible. A detailed risk analysis is attached at Appendix 2 to this report.

To help mitigate in-year operational risks, this iteration of the business plan increases the minimum level of HRA reserves from the £4 million approved when the plan was last updated in 2025, to 10% of turnover, which is £4.29m, with this increasing over time in line with assumed increased turnover. Retaining a higher level of reserves ensures that resource is available in-year to be in a position to respond to unexpected costs or an unanticipated loss of income, allowing the Council time to review and react accordingly.

We have modelled the impact of a number of individual scenarios, showing the impact of these in terms of the interest cover ratio that would be forecast by year 30, and the level of HRA debt that would exist at this point as well as the level of HRA reserves available to either repay debt or re-invest.

Chart 8.5 – Closing ICR at year 30

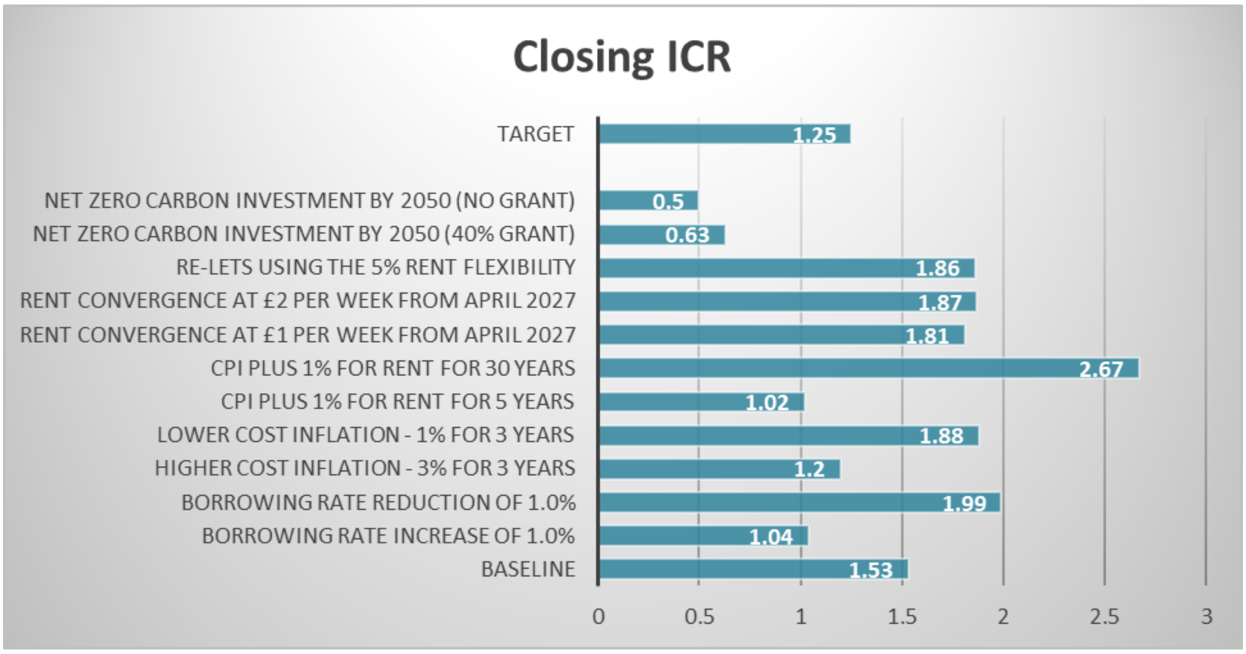


Chart 8.6 – Closing Debt at year 30

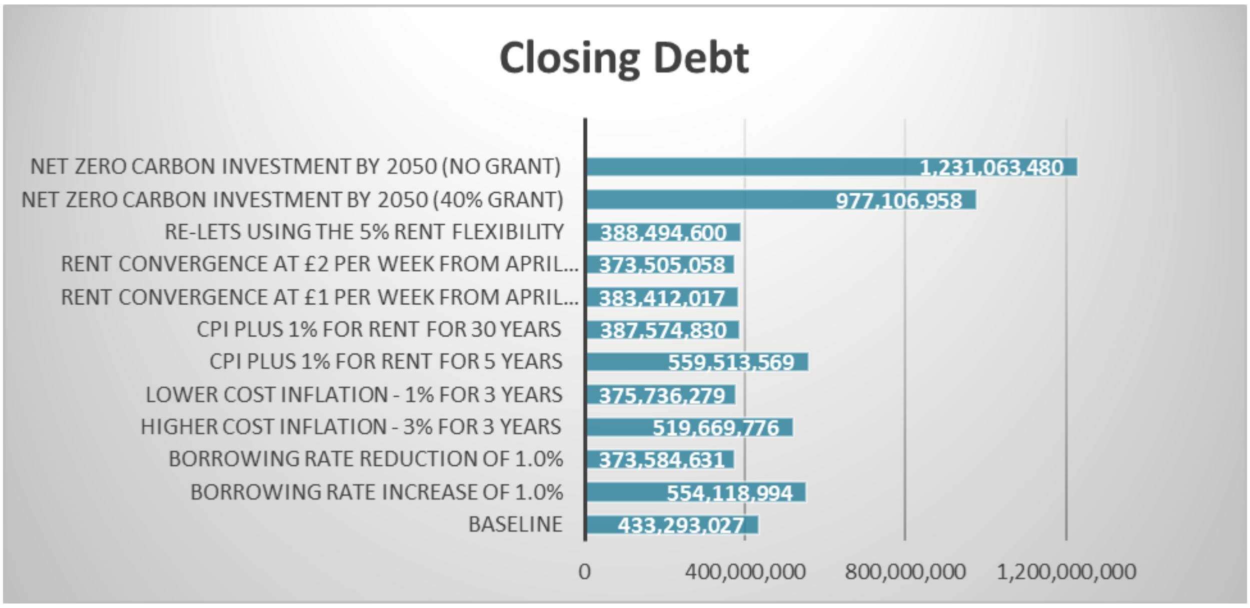
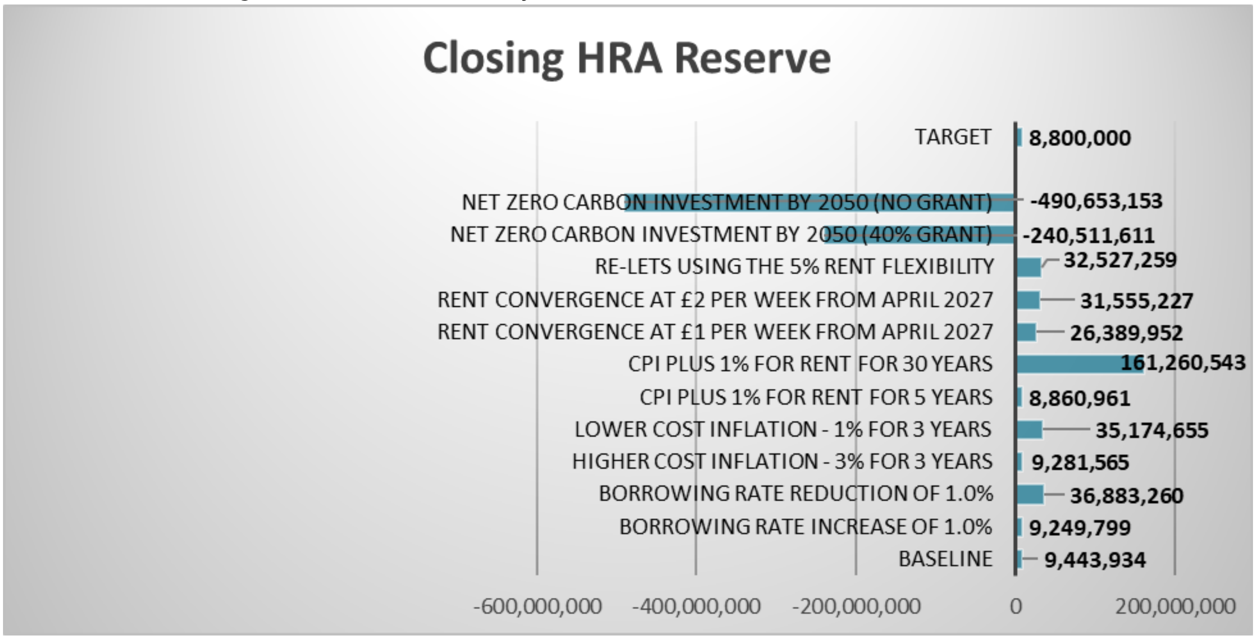


Chart 8.7 – Closing HRA Reserve as at year 30



It is clear that a longer-term higher rent settlement, the reintroduction of rent convergence or the introduction of the 5% rent flexibility would have a significant positive impact on the business plan, as would a reduction in cost inflation or borrowing rates.

A 5-year rent settlement at CPI plus 1% (if government were to halt the current settlement part-way through) would have a significant negative impact on the viability of the business plan, as would higher cost inflation or borrowing costs.

It is, however, abundantly clear that the investment required to meet Net Zero Carbon standards in the housing stock is not affordable, even with grant contributions at an assumed 40%.

Appendix 1 – Business Planning Assumptions

⇨ No change ⇧ Positive Financial Impact ⇩ Negative Financial Impact

Key Area	Assumption	Comment	Direction of Change since 2025
General Inflation (CPI)	2% from April 2027	General inflation on expenditure included at 2% ongoing per Bank of England long-term forecasts	⇨
Capital and Repairs Inflation	2% from April 2027	General inflation on expenditure included at 2% ongoing per Bank of England long-term forecasts	⇨
Pay Inflation	2% from April 2027	General inflation on expenditure included at 2% ongoing per Bank of England long-term forecasts	⇨
Social Rent Review Inflation	4.8% for 2026/27, then CPI plus 1.0% for 9 years, then CPI	Assume an increase of CPI plus 1% for 2026/27 and the following 9 years before reverting to CPI only. Assume CPI in preceding September is 2% from September 2026	⇧
Affordable Rent Review Inflation	4.8% for 2026/27, then CPI plus 1.0% for 9 years, then CPI	Assume an increase of CPI plus 1% for 2026/27 and the following 9 years before reverting to CPI only. Assume CPI in preceding September is 2% from September 2026	⇧
Rent Convergence	Voids Only	Ability to move to target rent achieved only through movement of void properties directly to formula rent	⇨
Rent Flexibility	Not Applied	The use of the 5% (or 10% for supported housing) rent flexibility is not assumed to be applied at re-let	⇨
Void Rates	1.0% ongoing	Assume void rate of 1.0% throughout the plan	⇧
Bad Debts	0.71% ongoing	Bad debt of 0.71% ongoing throughout the plan	⇨
HRA CFR	£221,000,000	Estimated opening HRA CFR as at 1/4/2026	⇧
Debt Repayment	No debt repayment assumed	Assumes any surplus is re-invested	⇨
Lending Interest Rate	3.56% for 2026/27, 3.31%	Interest rates based on latest market projections by treasury advisors, recognising	⇩

Key Area	Assumption	Comment	Direction of Change since 2025
	for 2027/28, then 3.25% ongoing	that the HRA will benefit from a share of interest earned	
Borrowing Interest Rate	3.96% for existing internal borrowing. New borrowing at 5.55% for 2026/27, 5.35% for 2027/28, then 5.25% ongoing	Assumes both existing and additional borrowing uses single pool approach, with internal corporate rate estimates applying for existing borrowing and PWLB rates for new borrowing, with the HRA rate assumed to end in March 2026 until confirmed otherwise	↓
HRA Minimum Balances	£4,290,000	HRA minimum balance of £4,290,000, representative of 10% of turnover	↑
Opening Stock	6,066	6,066 estimated dwellings in the HRA as at 1/4/2026	↑
Right to Buy Sales	10 per annum, reducing to 8 sales from 2036/37 and 5 sales from 2046/47 ongoing	Following a peak of activity as a result of discount changes, reduced levels are assumed from 2026/27 now that discounts are lower	↑
Right to Buy Receipts	Attributable debt element and assumed 1-4-1 receipts included	Local authority share of RTB receipts are assumed in the modelling to be used in the General Fund (pending legislative changes which may alter this). Attributable debt element of RTB receipts are used to finance capital expenditure and assumed 1-4-1 receipts are assumed to be re-invested in new homes	↑
Capital Investment Standard	Decent Homes Plus (Reduced by £5m)	Investment includes Basic Decent Homes investment in addition to estate investment and some accelerated component lifecycles	→
Capital Expenditure on Existing Stock	Adjusted pro rata to stock changes	An assumption is made that 50% of capital expenditure in the existing stock is adjusted annually in line with any change in stock numbers.	→
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that 50% of responsive repair expenditure is adjusted annually in line with any change in stock numbers.	→

Appendix 2 – Business Plan Risk Analysis

Risk Area	Controls / Mitigating Action
Legislation / Regulation	
Financial impact of new legislation or regulatory changes are not identified or incorporated correctly	• Effective, formal, regular review processes in place for the HRA to ensure that implications are identified, quantified and highlighted, with multi-officer engagement in the business planning process.
Delay 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 regularly.
Funding is not identified to meet the costs associated with changes in statutory requirements	• Specific funding requirements can be identified through the budget process, to allow effective prioritisation of resources • Minimum reserves are held to allow immediate investment if required • Representation made to MHCLG and other national bodies where statutory requirements carry excessive cost.
Changes in national housing or rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• The Council actively engages in any consultation and makes collective representation through national housing bodies • Impact of any proposed changes to national rent policy are incorporated into financial planning as early as possible with scenarios considered.
Business Planning / Financial Planning	
The Council approves plans which are not sustainable in the longer-term, leading to problems in balancing budgets	• Council has adopted a 30-year HRA Business Planning process, ensuring decisions are made in the context of long-term impact • The Business Plan includes long-term trend and scenario analysis on key cost drivers • Target levels of reserves are set for the HRA to enable unanticipated pressures to be effectively responded to.
Business Planning assumptions are materially inaccurate	• Council uses external expert opinion and detailed trend and benchmarking data to inform assumptions.

Risk Area	Controls / Mitigating Action
Funding to support the approved Capital Plan is not available	• Available revenue funding for capital is reviewed for affordability as part of the 30-year business plan process • Available external funding is regularly reviewed.
Business plan assumption that all borrowing is continually re-financed can't be supported	• Business plan is reviewed regularly • Housing stock is maintained to decency standards, with an Asset Management Strategy in place.
Routine compliance inspections identify the need for additional investment in the housing stock	• Annual budget process allows incorporation of funding at an early stage.
Failure to deliver major projects / development projects to time and / or budget	• Council has a project management framework • Performance and contractor management procedures are robust and contracts are enforceable.
Value for money in terms of investment in new build homes is challenged	• Schemes are considered against a suite of agreed hurdles and metrics • Council explores a mix of delivery vehicles.
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 cost of living crisis	• Performance closely monitored to allow further positive action if required.
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 Right to Buy discounts cause a peak of sales with the need to re-invest resulting receipts within prescribed timescales	• Retained resources are monitored to ensure delivery of required units • Delivery timeframe for these receipts of 5 years, with ability to invest up to 100% of receipt into a replacement dwelling
Changes in Right to Buy discounts cause a greater reduction in the number of right to buy sales than anticipated, 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

Appendix 3 – Housing Revenue Account Revenue Projections 2026/27 to 2035/36

	1	2	3	4	5	6	7	8	9	10
	2026.27	**2027.28**	**2028.29**	**2029.30**	**2030.31**	**2031.32**	**2032.33**	**2033.34**	**2034.35**	**2035.36**
HRA 30 YEAR SUMMARY										
Dwelling rents	36,860,456	38,560,909	40,879,557	43,353,785	45,216,476	46,576,986	47,974,419	49,409,976	50,884,743	52,399,844
Non-dwelling rents	1,708,050	1,895,913	1,934,551	1,973,979	2,014,215	2,055,274	2,097,174	2,139,931	2,183,564	2,228,091
Service charge income	3,884,460	3,962,149	4,041,392	4,122,220	4,204,664	4,288,758	4,374,533	4,462,024	4,551,264	4,642,289
Other income and contributions	448,290	454,409	460,650	467,016	473,509	480,132	486,888	493,779	500,807	507,977
Total income	**42,901,256**	**44,873,380**	**47,316,150**	**49,917,000**	**51,908,864**	**53,401,150**	**54,933,014**	**56,505,709**	**58,120,379**	**59,778,200**
Repairs & maintenance	10,187,100	10,398,609	10,620,934	10,874,285	11,106,007	11,338,118	11,586,864	11,865,673	12,163,309	12,396,462
Management (incl RRT)	14,707,767	14,932,190	15,256,560	15,598,616	15,929,941	16,248,540	16,573,511	16,904,981	17,243,081	17,587,943
Bad debts	265,459	277,681	294,338	312,112	325,501	335,290	345,344	355,673	366,284	377,186
Dwelling Depreciation	6,487,000	6,728,366	7,007,494	7,320,482	7,545,631	7,696,544	7,850,475	8,007,484	8,167,634	8,330,987
Depreciation of Right of Use assets	0	0	0	0	0	0	0	0	0	0
Debt management	98,300	100,266	102,271	104,317	106,403	108,531	110,702	112,916	115,174	117,478
Total costs	**31,745,626**	**32,437,113**	**33,281,598**	**34,209,811**	**35,013,484**	**35,727,023**	**36,466,896**	**37,246,727**	**38,055,482**	**38,810,055**
Net income from services	**11,155,630**	**12,436,268**	**14,034,552**	**15,707,188**	**16,895,380**	**17,674,128**	**18,466,117**	**19,258,982**	**20,064,897**	**20,968,145**
Interest payable	-9,354,581	-10,737,506	-12,626,715	-14,674,625	-15,725,388	-15,948,585	-16,156,326	-16,335,188	-16,483,693	-16,598,835
Interest income	410,662	230,082	218,793	238,922	281,163	338,795	396,461	455,321	515,648	577,450
Net income/expenditure before appropriations	**2,211,711**	**1,928,844**	**1,626,630**	**1,271,486**	**1,451,155**	**2,064,337**	**2,706,253**	**3,379,115**	**4,096,852**	**4,946,760**
Set aside for debt repayment	0	0	0	0	0	0	0	0	0	0
Revenue contributions to capital	-2,768,373	-2,310,086	-1,205,338	-967,068	-1,219,043	-1,891,447	-2,548,718	-3,209,922	-3,927,384	-4,766,785
Voluntary top-up to MRR	0	0	0	0	0	0	0	0	0	0
Allocation (to) / from other reserves	0	0	0	0	0	0	0	0	0	0
Other appropriations	0	0	0	0	0	0	0	0	0	0
Net HRA Surplus/Deficit	**-556,663**	**-381,242**	**421,291**	**304,418**	**232,112**	**172,891**	**157,535**	**169,193**	**169,468**	**179,975**
HRA Balance brought forward	**5,471,824**	**4,915,161**	**4,533,919**	**4,955,211**	**5,259,629**	**5,491,741**	**5,664,632**	**5,822,167**	**5,991,360**	**6,160,827**
HRA surplus/(deficit)	-556,663	-381,242	421,291	304,418	232,112	172,891	157,535	169,193	169,468	179,975
HRA Balance carried forward	**4,915,161**	**4,533,919**	**4,955,211**	**5,259,629**	**5,491,741**	**5,664,632**	**5,822,167**	**5,991,360**	**6,160,827**	**6,340,802**

Appendix 4 – Housing Revenue Account Capital Projections 2026/27 to 2035/36

	1	2	3	4	5	6	7	8	9	10
	2026.27	**2027.28**	**2028.29**	**2029.30**	**2030.31**	**2031.32**	**2032.33**	**2033.34**	**2034.35**	**2035.36**
HRA CAPITAL PROGRAMME										
Stock capital investment	18,947,164	16,235,848	16,421,243	15,945,260	13,215,478	14,005,658	14,274,584	14,548,666	14,828,001	15,172,444
ICT Investment	492,000	61,200	62,424	63,672	64,946	66,245	67,570	68,921	70,300	71,706
Development/Acquisition	24,100,000	29,248,500	42,578,370	31,809,710	0	0	0	0	0	0
Other Investment	0	0	0	0	0	0	0	0	0	0
Fleet Procurement / Other	0	0	0	0	0	0	0	0	0	0
Capital programme	**43,539,164**	**45,545,548**	**59,062,037**	**47,818,642**	**13,280,424**	**14,071,902**	**14,342,154**	**14,617,587**	**14,898,300**	**15,244,150**
Scheduled Debt Repayment	0	0	0	0	0	0	0	0	0	0
Financed by...										
Major Repairs Reserve	-6,487,000	-6,728,366	-7,007,494	-7,320,482	-7,545,631	-7,696,544	-7,850,475	-8,007,484	-8,167,634	-8,330,987
RTB receipts	-214,664	-221,862	-229,232	-236,779	-244,507	-252,420	-260,520	-268,814	-277,304	-285,995
1-4-1 receipts	-3,360,000	-1,958,400	-1,498,176	-1,018,760	0	0	0	0	0	0
Other receipts, Reserves and grants	-8,980,071	-5,170,074	-6,864,039	-2,517,716	0	0	0	0	0	0
Revenue contributions	-2,768,373	-2,310,086	-1,205,338	-967,068	-1,219,043	-1,891,447	-2,548,718	-3,209,922	-3,927,384	-4,766,785
Release of revenue reserve	0	0	0	0	0	0	0	0	0	0
HRA borrowing	-21,729,055	-29,156,761	-42,257,758	-35,757,838	-4,271,242	-4,231,492	-3,682,441	-3,131,367	-2,525,979	-1,860,383
Capital financing	**-43,539,164**	**-45,545,548**	**-59,062,037**	**-47,818,642**	**-13,280,424**	**-14,071,902**	**-14,342,154**	**-14,617,587**	**-14,898,300**	**-15,244,150**
Net balance on capital programme	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**