



Cabinet

13th July 2022

Report of: Councillor Ronan Browne -
Portfolio Holder for Housing and
Landlord Services

Housing Revenue Account (HRA) Business Plan (2022-2052)

Corporate Priority:	Providing high quality council homes and landlord services.
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No
Key Decision	Yes
Subject to call in	No Recommendation to Council

1 Summary

- 1.1 This report introduces the Council's Housing Revenue Account (HRA) Business Plan 2022 to 2052. The purpose of the Plan is to set out the Council's expectations and plans for council homes for the next 30 years and the financial sustainability of the Council's housing services.
- 1.2 It is not a legal requirement to produce a Housing Revenue Account Business Plan; however, it is good practice and helps provide a good framework for long term strategic planning.
- 1.3 The HRA Business Plan sets out how the money that is available for the Council to maintain and improve council housing will be spent. It facilitates compliance (health and safety) to ensure that Council homes remain safe and meet decent homes standards. It also sets out what other housing improvements can be made within the budget available, examines how the Council can build new council housing in an affordable and sustainable way, and also considers the implications of the changing regulatory context for the housing sector.
- 1.4 The HRA Business Plan is an evidence led document. It is informed by a range of things including a survey of the Council's housing stock and by feedback from tenants. It contains a series of evidence led policy recommendations.

- 1.5 Delivery of the HRA Business Plan will be supported by a separate Asset Management Plan and Affordable Housing Development Plan.
- 1.6 The HRA Business Plan will be updated on an annual basis, to ensure it reflects the most up to date operating costs, capital programme costs and wider financial context. The annual update will be based on a consistently applied methodology.
- 1.7 The implementation of the HRA Business Plan marks a key transitional phase in the Council's Housing Improvement Journey and has been developed at a time of significant regulatory change for the housing sector.

2 Recommendation

That Cabinet:

- 2.1 **Endorses the HRA Business Plan 2022 to 2052 and;**
- 2.2 **Recommends to Council that:**
 - 2.2.1 **The Housing Revenue Account (HRA) Business Plan 2022 – 2052 and associated policy recommendations (set out in Appendix B of this report) be approved**
 - 2.2.2 **Delegated authority is given to the Director for Housing and Communities in consultation with the Director for Corporate services and the Portfolio Holder for Housing and Landlord Services to review and update the financial modelling within the HRA Business Plan on an annual basis to reflect the most up to date stock condition data.**
 - 2.2.3 **Delegated authority is given to the Director for Housing and Communities in consultation with the Director for Corporate services and Portfolio Holder for Housing and Landlord Services to access the HRA Development and Regeneration Reserve to progress projects and activities in support of the HRA up to a limit of £100k per project and up to a maximum of £500k in any one year subject to the financial viability of the HRA Business plan not being undermined.**
 - 2.2.4 **The target working balance of the HRA be revised to £1m with effect from 1.4.2023.**
 - 2.2.5 **That the affordability of new borrowing be measured using industry standard indicators, and these be tracked alongside the HRA business plan.**
 - 2.2.6 **That the current policy of not providing for the repayment of debt within the HRA be continued in respect of existing and any new borrowing.**
 - 2.2.7 **The rent for re-let properties is set to the 5% upward tolerance allowed on formula rent.**
 - 2.2.8 **That the Director for Housing and Communities is designated as the nominated person with responsibility for compliance with landlord health and safety on behalf of the Council.**
 - 2.2.9 **That the Assistant Director for Housing Management is designated as the nominated person with responsibility for ensuring that the consumer standards, as set out by the Social Housing Regulator, are met.**
 - 2.2.10 **That the following finance principles set out at Section 9.8 are agreed**
 - a) **that overhead recharges remain as is with annual uplift for inflation**

- b) **that any growth in management and maintenance costs is met by reductions elsewhere within the HRA**
- c) **that actual rent increases are in line with Government policy to maximise income to the HRA.**

3 Reason for Recommendations

- 3.1 The HRA Business Plan 2022 – 2052 will support the Council to deliver on its commitments to deliver high quality council homes across Melton and to manage its available finances effectively.
- 3.2 The Council has made significant improvements to its housing and landlord services and whilst it is still on its housing improvement journey, is ready to transition from delivery of the Housing Improvement Plan to a more proactive, assurance led approach.
- 3.3 It is also important to note that the Business Plan has been developed at a time of significant regulatory change in the housing sector. A strong understanding of the council's housing stock and future investment needs is a key element of preparedness for this change.
- 3.4 The Council will also be taking other steps to ensure it is ready for the regulatory changes being introduced. The designation of a nominated person for landlord health and safety and a nominated person for consumer standards are requirements of the regulatory changes.
- 3.5 The HRA Business Plan is a significant programme of work for the Council. It provides a clear strategic framework and will enable the development of the Council's Housing Asset Management Plan and capital programme. The Business Plan takes into account feedback from tenants and sets out what is affordable, whilst also providing clarity on what the Council will need to consider to best manage its housing finances in the future.
- 3.6 The implementation of the HRA Business Plan marks a key transitional phase in the Council's Housing Improvement Journey and has been developed at a time of significant regulatory change for the housing sector.

4 Background

4.1 Housing Improvement Journey

- 4.1.1 In November 2019 the Council adopted a Housing Improvement Plan¹. This followed a period of review and recognition that the Council's housing stock and landlord services had suffered from chronic under investment, were not meeting the required standards and that significant action was required to improve.
- 4.1.2 The last full HRA Business Plan was approved in 2012, but from 2010-2018 the level of homes not meeting the Decent Homes Standard had risen to over 30% and the historic reduction in housing officers and dedicated housing asset management team had significantly reduced the council's ability to maintain effective grip and oversight on council housing. Issues with the Council's previous governance structures and the absence of regular formal performance reporting had removed corporate visibility and inhibited an effective response. The adoption of the Cabinet and Scrutiny model in May 2019 enabled a

¹ <https://democracy.melton.gov.uk/documents/s8354/Item%2013%20-%20Adoption%20of%20the%20Housing%20Improvement%20Plan.pdf>

far greater focus and significant progress has been made since the adoption of the Housing Improvement Plan later that year.

- 4.1.3 In November 2019, in support of the Housing Improvement Plan, the Council referred itself to the Regulator for Social Housing (RSH), highlighting the improvements required as well as the plan, resources and commitment required to deliver them. In March 2020, the Regulator confirmed that the Council had not breached the Homes Standard and was satisfied with the progress being made.
- 4.1.4 In 2021, the Council's Internal Audit team undertook an audit of landlord health and safety and also found a significant improvement on the limited assurance identified in 2019; with a 'good' control environment and 'satisfactory' compliance.
- 4.1.5 A further audit of landlord health and safety will take place in 2022. It will be an important tool in demonstrating the continued improvement and progress made.
- 4.1.6 The Council has also managed a number of challenges including in relation to Covid-19 and continuity of leadership during this period but has maintained progress and momentum. This is to the credit of everyone involved and has benefited from the continued Portfolio Holder support and direction.
- 4.1.7 Some notable developments and milestones over recent years include:
- a) October 2019: New Corporate Structure approved, creating the Director for Housing and Communities post and associated housing team structures.
 - b) February 2020: Approval of interim (estimate-led) HRA Business Plan – supporting the aspirations set out in the Housing Improvement Plan and enabling reinvestment in the service and housing stock condition surveys to be undertaken
 - c) February 2020: Corporate Strategy 2020-2024 adopted establishing “High Quality Homes and Landlord Services” as one of the Council's 6 key priorities.
 - d) February 2020: Significant funding approved by Council to support investment in new housing IT systems (Northgate). Since then, the new asset management and compliance modules implemented. Further work continues to roll out additional functionality. Ability to locate property information and certification greatly enhanced.
 - e) January 2021: New Tenancy Agreement approved, and a range of Housing Landlord policies approved by Council
 - f) 2021/22: Full Stock condition survey completed (approx. 81% properties) with rolling programme of surveys agreed at 20% per year.
 - g) January 2022: New tenant engagement framework approved, and following a full tenant satisfaction survey undertaken (November 2021) marking the start of a transitional process in line with the White Paper: Charter for Social Housing Residents
 - h) June 2022: Further to significant programme of development work, new 30-year HRA Business Plan presented to Scrutiny Committee prior to Cabinet and Council consideration. Draft business plan reviewed externally by sector experts, Savills.
- 4.1.8 The Council's Housing Revenue Account Business Plan 2022-2052 represents the culmination of determined focus and significant progress over the last 2 years and enables a move to a proactive and assurance led approach, marking a transition from the Housing Improvement Plan. The HRA Business Plan can be found at **Appendix A**.

- 4.1.9 The purpose of the Plan is to lay out the Council's expectations for Council housing over the next 30 years. It sets out how the money that is available for the Council to maintain and improve council housing will be spent. It facilitates compliance (health and safety) to ensure that Council homes remain safe and meet decent homes standards. It also sets out what housing improvements can be made within the budget available, examines how the Council can build new council housing in an affordable and sustainable way, and also considers the implications of the changing regulatory context for the housing sector.
- 4.1.10 The HRA Business Plan is an important document. It sets the framework for investment in Council Homes for the future. It will sit alongside other key documents:
- a) An **Affordable Housing Development Plan** which explains the Council's approach to delivering new Council owned housing in the Borough. Separate business cases will be completed for all new affordable homes. The Affordable Housing Development Plan will be considered by Scrutiny Committee in June 2022 and Cabinet in July 2022.
 - b) An **Asset Management Plan** which will contain a detailed plan for planned maintenance and will cover an initial 5-year period. It will be updated annually, adding a 5th year to ensure that it always covers a 5-year period and reflects an up-to-date position. The Asset Management Plan will be considered by Scrutiny Committee and Cabinet later in the year. It will inform the Council's budget setting process and capital strategy.
- 4.1.11 The HRA Business Plan will also be updated on an annual basis, to ensure it reflects the most up to date operating costs and capital programme costs. The annual update will be based on consistently applied methodology.
- 4.1.12 The Council's [Housing Strategy 2021-2026](#) and Tenant Engagement Framework are also key documents.
- 4.1.13 To build on the **Tenant Engagement Framework** and in line with the requirements of the **regulatory changes**, the Council is currently developing new processes for engaging and working with tenants including in relation to elements of delivering the capital programme.
- ## 4.2 Regulatory Changes
- 4.2.1 The HRA Business Plan has been developed at a time of significant regulatory change in the housing sector.
- 4.2.2 The government signalled major changes for social housing in January 2021 when it published its White Paper, The Charter for Social Housing Residents. The government have planned an updated set of standards not only for the homes of social housing residents but also for the services they receive and including a comprehensive schedule of proposed Tenant Satisfaction Measures that will have to be reported annually by every social housing provider. The council will be subject to an external assessment, led by the Regulator of Social Housing, every four years.
- 4.2.3 The Council is in a positive position in some areas in preparing for these changes. It now has a detailed understanding of its stock profile and investment needed to meet decent homes standard across all stock. Having developed a business plan, the Council is in a stronger position than many others who have not undertaken such a comprehensive exercise and do not have up to date plans in place.
- 4.2.4 The regulatory changes for the housing sector are significant, including changes to legislation, regulation, new consumer standards and a move to an inspection regime for council landlords (mirroring the approach applied to Housing Associations for many years).

- 4.2.5 Whilst not yet due to be implemented, we have received a strong message from government that these changes are coming and that we should begin to prepare for them now.
- 4.2.6 The draft HRA Business Plan has been updated to include relevant changes. They provide important context for committee members in considering the HRA Business Plan. Further details, published in March 2022 can be found [here](#).

5 Main Considerations

- 5.1 The HRA Business Plan has been informed by a full Stock Condition Survey carried out by Michael Dyson Associates Ltd (February 2022) and a Residents Satisfaction Survey carried out by Acuity (November 2021).
- 5.1.1 The Stock Condition Survey describes the state of council housing in Melton and what investment is required (and when) to meet the Government's Decent Homes Standard, and more generally, the cost of improving the council's housing stock. Data from the stock condition survey has been analysed and uploaded into the Council's housing asset management system.
- 5.1.2 The Residents Satisfaction Survey carried out in 2021 provided a snapshot of the views and concerns of tenants about their homes. The views of tenants have been further tested via a focus group and via a survey of 436 tenants asking for areas of choice for investment to be prioritised.
- 5.2 The Council now has a clear and evidence-based understanding of the Council's income and expenditure over a 30-year period:
- a) The work carried out to develop the business plan shows that the management and maintenance of council housing in Melton is affordable over that period.
 - b) It also shows that income (rents) needs to be maximised and resources need to be carefully managed.
 - c) There are some things that the Council must do (health and safety, decent homes) and there are some things that are a matter of choice, affordability and prioritisation. These are set out within the business plan.
- 5.3 Specifically, the Business Plan shows that:
- 5.3.1 **Landlord Health and Safety (compliance) can be maintained.** The resources available enable the Council to ensure Council properties are safe including achieving timely compliance with new regulatory requirements on smoke and carbon monoxide alarms. Landlord Health and Safety should always remain the top priority for the Council as a responsible landlord.
- 5.3.2 **The resources available enable the Council to meet the current Decent Homes Standard across its stock.** A Decent Home needs to:
- Meet the current statutory minimum standard for housing (the Housing Health and Safety Rating System)
 - Be in a reasonable state of repair
 - Have reasonably modern facilities and services
 - Provide a reasonable degree of thermal warmth

- Meeting the standard will mean replacing kitchens after 20 years and bathrooms after 30 years but only if the condition requires that they are replaced

5.3.3 **The resources available will enable the Council to continue to replace metal windows with upvc windows.** This work is underway and will continue.

5.3.4 Whilst the resources available do not allow for programmes of work for replacing footpaths or fences (for example) across the Council's stock, funding has been set aside within the business plan (approximately £100,000 per year) to assist (on a case-by-case basis, guided by need and risk) with one off costs, for example:

- Fixing paths where there is an identified risk
- Installing CCTV to address community safety issues
- Works or services around improving car parking
- Fixing fencing in some circumstances (although this is generally the tenant's responsibility)
- Fixing some garages or demolishing them

5.4 The Business plan shows that there is an average "head room" of approximately £796,000 per year which will need to be carefully managed through the associated asset management plan, which will consider priorities, profile of spend, and affordable housing plans, whilst also taking into consideration the impact of any changes such as inflation increases. Examples of what could be funded include energy efficiency measures. This needs to be considered alongside the sensitivity analysis set out in the financial implications section of this report.

5.4.1 The Business Plan is clear that projects and initiatives will need to be guided by robust business cases and will be considered on a case-by-case basis to test on value for money and affordability. Resources need to be carefully managed.

5.5 The HRA Business Plan makes a number of evidence led policy recommendations. A summary of these recommendations is set out below and can also be found at Appendix B of this report:

- a) Gretton Court will need to have a business case devised, with project management support, to determine its future development.
- b) New council housing is a priority for investment. Subject to affordability borrowing can meet the balance of cost for newly built or purchased housing, alongside use of right to buy receipts.
- c) Right to buy receipts will be retained within the Housing Revenue Account.
- d) All compliance measures will be undertaken within appropriate timescales to ensure that the Council's housing meets the relevant health and safety standards and keeps tenants safe
- e) Fairmead Estate will continue to be a focus for improvement, but plans will need to include a variety of different measures for example, consideration of a local lettings policy and collaboration to focus on community safety and community cohesion.
- f) A review of supported housing will be progressed in 2022. The Council will consider how best to use assistive technology to increase independence in the future and how to align this with assistive technology offer available through the Council's lifeline service.

- g) In terms of energy efficiency and zero-carbon the Council will:
 - i) focus on improving energy efficiency in its existing homes but will set a zero-carbon standard for its new build homes
 - ii) explore how best to adapt Council homes to be closer to zero carbon
 - iii) provide advice on energy efficiency will be shared proactively with tenants
 - iv) work to attract national funding to improve the energy efficiency of the stock
 - v) upvc windows will continue to replace metal windows as part of the main planned maintenance programme
 - vi) The Asset Management Plan will set a SAP rating as a performance measure against which the Council will assess its progress in improving energy efficiency every year
- h) Service improvement: The Council will engage and consult with tenants about what areas of its housing services should be improved. This will be looked at for cost neutral or cost saving proposals. If there is a need for additional investment there will need to be savings identified elsewhere within the Housing Revenue Account
- i) Works to the external areas around council housing (e.g. paths) will be addressed based on a risk based approach. Fences remain the tenant's responsibility but may be fixed or replaced if there is significant risk if not addressed.
- j) Garages are not a priority for investment but will be looked at as development sites. If they are viable for letting then there is budget for them to be repaired. If they are not lettable, demolition will also be considered. Business cases would be prepared on a case-by-case basis.
- k) Other assets which are held in the HRA but are not housing will be reviewed within the Asset Management Plan.

6 Options Considered

- 6.1 Good governance requires that the Council adopts a long term HRA Business Plan to ensure sustainability and forward planning for the Council's landlord services.
- 6.2 In line with the Council's obligations as a landlord, the proposed Business Plan and associated investment prioritises works on compliance – that is meeting the Council's statutory obligations to ensure that tenants are safe in their homes. The Plan then recognises the Council's duty to meet the Decent Homes Standard which is a standard set by central government for social housing. There is an overlap between compliance and the Decent Homes Standard as it contains the legal requirement for the Council to meet the Housing Health and Safety Rating System as laid out in the Housing Act 2004.
- 6.3 The Council will have the opportunity to consider business cases regarding housing development and other regeneration projects and these will be brought forward as part of the Affordable Housing Development Plan and subsequent business cases.
- 6.4 The Council has developed its long-term business plan at a time of significant regulatory change for the housing sector. Where possible, preparedness for those changes have been built into the business plan (for example, requirements for smoke and carbon monoxide alarms). The Council will need to ensure that the impact of any subsequent changes are assessed and costed within the asset management plan and review of the HRA business

plan at appropriate times. For example, the Government has delayed a consultation on a review of the Decent Homes Standard.

- 6.5 The Council is actively preparing for regulatory change and will commence self-assessment and action planning to ensure readiness. The Council will also ensure that it responds proactively to any Government consultation on further proposed changes for the housing sector.

7 Consultation

- 7.1 Consultation on the views of council tenants of the quality, condition and services provided to them were captured in the Residents' Satisfaction Report November 2021 conducted by sector specialists, Acuity.

- 7.1.1 This showed that while tenants are relatively satisfied with the quality of their homes (77%) a significant minority (22%) are dissatisfied with the condition.

- 7.2 A tenant focus group was held on 13th January 2022 to look in more detail at tenants' views on council housing and where the council should place its investment.

- 7.2.1 The focus group identified the repairs service and communications as areas of particular concern.

- 7.3 Additionally, a consultation survey exercise has been carried out with tenants, specifically asking tenants to tell us their priorities for housing. It was sent out to 436 tenants who had offered to take part in consultation exercises with the Council. 118 responses were received. The three top priorities emerging from the survey were:

- Building new council homes
- Replacing metal windows with upvc windows
- Energy efficiency

- 7.4 The Council's Scrutiny Committee has been engaged throughout the development of the HRA Business Plan. This has been valuable in shaping the development of the Plan through workshop sessions in December 2021 and March 2022.

- 7.4.1 The Council's Scrutiny Committee formally considered the HRA Business Plan on 14th June 2022. The Portfolio Holder for Housing and Landlord Services, in addition to Housing and Finance lead officers were in attendance for this meeting of the scrutiny committee. Comments from the Scrutiny Committee will also be provided to Cabinet.

- 7.4.2 A review of the final draft of the HRA Business Plan has been carried out by housing finance specialists, Savills. The draft Business Plan has been updated to include the advice received. Feedback was positive and described the Business Plan as a comprehensive and extensive piece of work. It considered that the Business Plan had been developed robustly, with a positive approach to involving tenants in this process, and that the Council could take assurance and confidence from the extent of the stock condition survey work undertaken.

8 Next Steps – Implementation and Communication

- 8.1 Cabinet Members are asked to endorse the HRA Business Plan (2022 – 2052) and recommend it to Council for approval in July 2022. Council will also be asked to approve the following recommendations:

- 8.1.1 Delegated authority is given to the Director for Housing and Communities in consultation with the Director for Corporate services and the Portfolio Holder for Housing and Landlord Services to review and update the financial modelling within the HRA Business Plan on an annual basis to reflect the most up to date stock condition data.
- 8.1.2 Delegated authority is given to the Director for Housing and Communities in consultation with the Director for Corporate services and Portfolio Holder for Housing and Landlord Services to access the HRA Development and Regeneration Reserve to progress projects and activities in support of the HRA up to a limit of £100k per project and up to a maximum of £500k in any one year subject to the financial viability of the HRA Business plan not being undermined.
- 8.1.3 The target working balance of the HRA be revised to £1m from 1.4.2023.
- 8.1.4 That the affordability of new borrowing be measured using industry standard indicators, and these be tracked alongside the HRA business plan.
- 8.1.5 That the current policy of not providing for the repayment of debt within the HRA be continued in respect of existing and any new borrowing.
- 8.1.6 The rent for re-let properties is set to the 5% upward tolerance allowed on formula rent.
- 8.1.7 That the Director for Housing and Communities is designated as the nominated person with responsibility for compliance with landlord health and safety on behalf of the Council
- 8.1.8 That the Assistant Director for Housing Management is designated as the nominated person with responsibility for ensuring that the consumer standards, as set out by the Social Housing Regulator, are met.
- 8.2 The recommendations in the Business Plan will need to be shared with the Council's tenants in a clear, accessible and meaningful way. They should also be shared widely with the Council's staff and partners.
- 8.3 Implementation of the Business Plan will be supported by an Asset Management Plan (October / November 2022) and the Affordable Housing Plan (July 2022).
- 8.4 The Business Plan should be kept under annual review. The Asset Management Plan will also be reviewed each year, to ensure there is always a five-year delivery plan in place.
- 8.5 The Council has included the HRA Business Plan as part of its Internal Audit Programme for 2022/2023 to seek assurance of the arrangements in place for development and effective delivery.

9 Financial Implications

- 9.1 The main conclusion from the Business Plan is that the Housing Revenue Account is sustainable over the 30-year period based on the assumptions regarding future costs.
- 9.2 The financial assumptions show that over the 30-year period after allowing for spend on maintaining decent homes (as shown in the condition surveys received and compliance) there is a surplus amount of £23.9m available over the 30-year period, equating to an average of £796k per year for investment in other priorities (choices) such as new housing or energy efficiency measures, subject to a business case.
- 9.3 Sensitivity analysis has been undertaken on the financial assumptions made in the business plan.

- 9.3.1 The key areas that could impact on the projections set out in the business plan are **rental increases** arising primarily from the associated government policy relating to this and **inflation** affecting future expenditure levels. These are largely outside of the Council's control and are risk areas that the Council will need to pay close attention to. Changes in these areas (for example, government policy leading to a period in which rents cannot be increased) would directly impact the monies available for investment.
- 9.3.2 There are also financial sensitivities relating to **voids** and the loss of income and additional expenditure associated with this as well as potential **bad debts**. These two areas the Council can influence to an extent and are areas where focus will be given to improve the financial position of the HRA, including:
- a) Ongoing work in relation to voids includes engaging with contractors to ensure works can be completed in a timely way, moving the responsibility for allocations to the tenancy services team, the launch of a voids module in the Northgate system to allow for improved tracking and monitoring of voids. There is a commitment set out within the Business Plan to review options regarding Gretton Court, where the Council has a high level of voids and properties are less desirable due to having shared bathroom facilities.
 - b) Ongoing work in relation to debt management includes the development of a dedicated rents and income officer, within the housing team. Recruitment to this post will commence as soon as possible.
- 9.3.3 Another key area of sensitivity is the cost of repairs, and with the business plan having been prepared without the conclusion of the Asset Management Plan, it is likely that these could reduce when taken into account alongside a history of underspending on the account. The Asset Management Plan is therefore a key document in budget setting and profiling of spend.
- 9.3.4 The sensitivity analysis shows that the estimated surplus amount of £23.9m over the 30-year period set out in the business plan, based on a range of negative and positive assumptions, could be within the range of a £145m deficit to a £110m surplus. This shows how susceptible the estimates are to changes in assumptions. Any change in the actual assumptions made will impact on the residual amount available for investment in the "choices" as set out in the business plan. Through the annual review these assumptions can be updated, and an assessment made on the latest forecast of the amount available for investment elsewhere.
- 9.4 Until the Asset Management Plan is developed setting out the spending needs over the next 5 years it is not possible to compare spending needs with resources over this period. Whilst the plan shows there are sufficient resources over the life of the business plan these need to be prioritised and profiled over the life of the 30-year plan. Modelling shows that if spending correlated exactly with the condition survey without any prioritisation, then there are insufficient reserves to meet spend in the early years. The work on the asset management plan and particularly the prioritisation of spend over each 5-year period can assess if essential spend and priorities can be met from resources available. Should this not be the case borrowing in these years would need to be considered. Any cost of borrowing would need to be met from revenue resources within the HRA, which would impact on the headroom available.
- 9.5 Benchmarking information shows that the Council's rents are comparatively low. The Savills review noted that the indicative costs of capital works inclusive of fees and preliminaries were 'on the high side of benchmarks' but noted that the stock condition survey is not a programme, highlighting the importance of the work that will be done through the Asset

Management Plan to set a programme, including the potential to achieve value for money in procurement and delivery.

- 9.6 It is important to review revenue and operating costs including through the development of the Asset Management Plan in order to maximise the resources available to the HRA. (i.e. in a period of business as usual as opposed to in a period of housing improvement plan delivery). To support with benchmarking and value for money assessment on an ongoing basis, the Council will take steps to join Housemark, a performance management organisation for social housing organisations.
- 9.7 A risk assessment has been carried out for the HRA Business Plan. The most financially significant risk is whether the government maintains the current rent increase policy as it covers inflation (currently, rents can rise by the Consumer Price Index (CPI) plus 1%). In the recent past central government has reduced social housing rents which has damaged plans for investment. This will need to be closely monitored not least because inflation has risen significantly over the last 12 months. In order to protect the HRA, the Council will need to continue to maximise rental and other income to the HRA.
- 9.8 The key financial policies arising from the plan to ensure financial sustainability are:
- a) that overhead recharges remain as is with annual uplift for inflation
 - b) That the affordability of new borrowing be assessed using industry standard indicators based on data taken from the individual project business cases and that these are tracked and monitored over the life of the business plan
 - c) that the current policy regarding the provision for the repayment of debt within the HRA is continued for both existing and new borrowing taking into account that the affordability of new borrowing will be assessed, tracked and monitored using industry standard indicators. This will ensure that interest payments are affordable. All additional/new borrowing will increase the Council's exposure to changes in the interest rates, which while relatively low currently does carry risk in future. Of the Council's current debt £4.1m is due for rescheduling by the end of 2026-27, the business plan for this along with any new borrowing is reliant on maintaining low interest repayments.
 - d) that any growth in management and maintenance costs is met by reductions elsewhere within the HRA
 - e) that actual rent increases are in line with Government policy to maximise income to the HRA.
- 9.9 With regard to rental increases careful consideration will need to be given to the approach taken and safeguards for tenants should inflation levels remain at the current levels.
- 9.10 One of the key gaps financially has been the absence of a longer term HRA capital programme to inform the Council's capital strategy and treasury management strategy. This is also important if value for money is to be secured through long term contracts. The 5-year HRA asset management plan will be critical for the development of this longer term capital programme and the link to other core financial strategies. This will be finalised in time to inform the 2023/24 budget.
- 9.11 Based on the assumptions at the current time the Plan shows that building new council housing or purchasing new council housing should be affordable, when using borrowing to meet the balance of the cost of building or buying on top of using right to buy receipts. However, this is subject to Right to Buy rules remaining as they are and affordable rents being charged in line with council policy. The Council will also be able to repay any

borrowings even if homes are sold over the life of the assets however this will need to be tested further during any business case developed

9.12 With regard to the various HRA reserves that are held these are set out as follows with the associated policy:

9.13 **HRA working balance**

9.14 When calculating Budget requirements, relevant authorities are required (by The Local Government Finance Act 1992) to have regard to the level of reserves needed for meeting estimated future expenditure. Reserves held as a working balance are held for contingency purposes (e.g. for emergencies) and the appropriate level is reviewed annually as part of the budget setting process. The target level has been reviewed as part of this process and a revised level of £1m recommended. This takes into account a specific risk assessment and also using a guideline of £500 per property. This results in a minimum level of reserve at circa 15% of revenue expenditure.

9.15 **HRA Development and Regeneration Reserve**

9.16 This reserve is for specific HRA development and regeneration needs within the HRA ring fence. The authority to access this reserve is currently tied in with the Housing Improvement Programme (HIP), however the completion of the HIP requires a change to the delegation in regard to the current needs of the service. The recommendation is to limit delegation to £100k per project a maximum of £500k per annum, with each project considered in regard to the affordability of the plan.

9.17 **Major Repairs Reserve**

9.18 This reserve holds amounts set aside as depreciation from the HRA, based on a calculation which includes depreciation and additional revenue to support the HRA capital programme.

9.19 **Water Reserve**

9.20 On the cancellation of the Agency Agreement that the Council had with Severn Trent Water to collect water rates on their behalf, Severn Trent Water agreed to continue to fund future written off amounts of water arrears by a one-off payment

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

10.1 The Localism Act 2011 reformed the way that council housing is financed in England and Wales. The national HRA subsidy system ended in April 2012 and was replaced with self-financing.

10.2 Since Section 167 / Schedule 15 of the Localism Act 2011 came into force, English local authorities have been required to be self-financing in relation to their housing stock.

10.3 The items to be credited and debited to the HRA are prescribed by statute. It is a ring-fenced account within the authority's General Fund, which means that local authorities have no general discretion to transfer sums into or out of the HRA. It is not a legal requirement to produce an HRA Business Plan; however, it is good practice and helps provide a good framework for long term strategic planning.

- 10.4 The HRA Business Plan provides an important mechanism for ensuring that the council's housing stock is well managed and maintained, and that investment is made to ensure the safety of residents.
- 10.5 The HRA should be self-funding and continuous review of the position of the HRA is required to ensure this. The Council has a statutory duty to approve a balanced HRA each year.
- 10.6 Delivery of projects and activities which may have an implication on the HRA, will be subject to separate governance decisions and monitoring of the impact on the HRA.

Legal Implications reviewed by: Natasha Taylor (Deputy Monitoring Officer)

11 Equality and Safeguarding Implications

- 11.1 In finalising the Plan, the Authority must comply with the public sector equality duty as set out in S149 of the Equality Act.
- 11.2 An Equality Impact Assessment has been carried out and has been reviewed by the Council's Check and Challenge Group. It has been published on the Council's website and can be found [here](#). Investment in decent and safe homes will positively impact the safety and wellbeing of council tenants. There are two actions arising from the equality impact assessment which will be taken forward by the Housing Service. These are shown below:

There are gaps in the Council's database relating to information about council tenants. Work needs to be done to evaluate how to rectify this.
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Younger tenants need to be more effectively engaged in consultations with the Council. This is recognised as a difficult task across the social housing sector.

12 Community Safety Implications

- 12.1 The HRA Business Plan recognises that there will likely be a need to invest in the wider housing environment to support safe, resilient and cohesive communities.
- 12.2 There is also direct consideration given to the Fairmead estate where tenants are the least satisfied with the environment in which they live.
- 12.3 There is also revenue funding to support vulnerable tenants within the base budget.

13 Environmental and Climate Change Implications

- 13.1 The Plan considers recommendations regarding net-zero and energy efficiency, however, the Plan itself will not be able to deliver a carbon neutral outcome without significant external funding. This is the case for the wider housing sector.
- 13.2 This will be further considered through the Asset Management Plan and Housing Development Plan and will need to be considered in the context of the cost-of-living crisis, fuel poverty and thermal efficiency.
- 13.3 The Council will need to be ready to apply for external funding opportunities as they become available, in order to support its ambitions in this regard.

14 Other Implications

- 14.1 **Health and Wellbeing Implications:** The current HRA budget pays for support to tenants to manage their homes via Case Management, Intensive Housing Management and Housing Officers. Work is underway to review how this support is currently provided and to consider future options.
- 14.2 **Environmental Implications:** There is funding to improve the external areas around council housing across the borough, but it is limited and will need to be carefully managed.
- 14.3 **Human Resource Implications:** There are no direct human resource implications from this report
- 14.4 **Procurement Implications:** There are no procurement implications from this report. The Asset Management Plan and Affordable Housing Development Plan will set out procurement proposals. Delivery of the capital programme will be in line with the Council's contract procedure rules.

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	Lack of continuity of leadership	1	4	Low
2	Rents not raised in line with inflation	1	4	Low
3	A level of inflation has been provided for in the business plan. However, market uncertainties might mean that this is insufficient	4	2	Medium
4	Poor Quality Business Plan	2	2	Low
5	Compliance works are not carried out	1	4	Low
6	Not having the capacity and expertise in place to produce businesses cases	3	4	Medium
7	Capital spending is not delivered	2	4	Medium
8	Right to buy receipts not used	2	4	Medium
9	New homes lost under RTB	2	4	Medium
10	The Asset management plan is not developed in time for the 2023/24 budget due to other priorities and a lack of resources.	3	3	Medium
11	The prioritisation of spend as part of the Asset Management Plan results in a borrowing need in the early years which impacts on revenue resources	3	2	Medium
12	Regulatory changes lead to increased costs (for example, changes to the Decent Homes Standard)	4	3	Medium
13	Preparedness for regulatory change and ability to provide assurance	3	3	Medium

Impact / Consequences

		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant		3,	12	
	3 Low		11	10, 13	6
	2 Very Low		4,		7, 8, 9
	1 Almost impossible				1, 2, 5

Risk No	Mitigation
1	Documentation of all key decisions. Robust approach to managing vacancies. Added to council's risk register with clear mitigation in place.
2	Monitor govt policy in this area. Key principle within business plan to maximise income (rental income) to maintain sustainability of the HRA. However, current unprecedented levels of inflation mean that careful consideration will need to be given prior to rent setting to ensure there are sufficient safeguards for tenants.
3	Need for savings to balance budget. Dynamic risk management approach needed. Annual review of business plan.
4	External feedback being sought from sector expert. Audit programme to include audit of HRA Business Plan
5	Regular monitoring of KPIs. Sufficient expertise in place. Organisational focus on landlord health and safety. Prioritisation of compliance within business plan. Budget shows that compliance works can be met within the available budget.
6	Capacity brought in for significant projects. Use of council's project documentation and governance arrangements. Cross organisational expertise to review business cases to evaluate viability and deliverability. Keep capacity to deliver under review.
7	Support to Asset Manager from across the council. Ensure team has the right resources to deliver. Appropriate procurement and contract management arrangements.
8	Support for borrowing needed. Affordable Housing development plan in place. Business cases and evaluations needed.
9	Monitor changes to this area of policy closely
10	Priority to be given to the development of the Asset Management Plan in order to inform the capital strategy and capital programme

11	Modelling undertaken on the asset management plan against the resources available to mitigate the need to spend, should this be required look to manage debt accordingly to reduce costs as much as possible
12	Feed into future Government consultations and carry out impact assessment for the Business Plan and Asset Management Plan / adjust accordingly. Ensure clear and visible implementation plans. Highlight any risks to members.
13	Carry out self-assessment in line with charter for social housing residents and regulatory changes/ consumer standards and develop associated action / implementation plan. Appoint to an assurance officer post to lead on and oversee this work. Develop a programme of assurance reporting to cabinet and scrutiny committee.

16 Background Papers

- 16.1 Michael Dyson Associates Ltd Melton Stock Condition Survey February 2022
- 16.2 Acuity Residents Satisfaction Survey November 2021
- 16.3 Equality Impact Assessment
- 16.4 Tenant and Leaseholder Engagement Framework (2021)
- 16.5 Housing Strategy 2021-2026

17 Appendices

- 17.1 Appendix A: HRA Business Plan, 2022-2052
- 17.2 Appendix B: Summary of Business Plan recommendations

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