

Cabinet

22 January 2020

Report of:

**Portfolio Holder for Housing
and Communities**

Interim HRA Business Plan January 2020

1.0 Corporate Priority:		Decision Type:
1.1	Providing high quality council homes & landlord service	Key Decision
1.2	Increasing the availability of good quality homes which meet local needs	

2.0 Summary:	
2.1	This report provides a review of activity undertaken since the HRA Business Plan was last published in 2012 and alongside a range of proposed measures sets out an interim plan for the next three years with a view to being in a positive position to establish a long term 30 years vision and plan thereafter.
2.2	The Council is currently undertaking numerous assessments of its stock which will continue over the coming two years. Only when the full reappraisal of stock condition has been completed will it be possible to establish a new and meaningful 30 year plan. Accordingly it is proposed that an interim 3-year plan is established, supported by a programme of projects to be funded through both revenue and capital budgets. These projects correspond with the Housing Improvement Plan and respond to the current challenges and risks faced by the Council in relation to HRA assets.

3.0 Recommendations	

4.0 Reason for Recommendation:	
4.1	The interim plan will allow the Council to complete the projects and actions identified and approved in the HIP over the next 3 years. It will also allow for the stock condition survey to complete which is key for the next iteration of the full and detailed long term business plan.

5.0 Alternate Options Considered

- 5.1 Option 1 - Do nothing: Not recommended
The operation of the HRA is governed by the Local Government and Housing Act 1989 and the Council as a stock-holding authority must produce a 30-year business plan for the HRA under Section 88 of the Local Government Act 2003.
- 5.2 Option 2 - Prepare a detailed 30 year business plan: Not recommended
The Council's current 30 year business plan was prepared in 2012 and requires a comprehensive review. In order for the Council to enable to undertake a full and detailed review of the current Plan, the Council needs to update its Housing Asset Management Plan (HAMP). The update of HAMP is reliant on the data and information available from the detailed stock condition surveys which are proposed to be undertaken over the next two years. Without this information being available to review and assess, it is not possible to produce a full and detailed business plan for a long term vision.
- 5.3 Option 3 – Prepare an interim business plan: Recommended
As stated above, option 2 is not possible to achieve, but as stated in option 1, it is the Council's duty to produce a plan to address the current issues and manage the risks. Considering this, it is appropriate for the Council to prepare an interim plan that assures the viability and affordability of HRA budgets.

6.0 Report Detail

- 6.1 The Housing Revenue Account (HRA) is a ring-fenced landlord account recording certain defined transactions arising from the powers conferred on local housing authorities by part II of the Housing Act 1985 and certain provisions of earlier legislation.
- 6.2 The Council's housing stock of 1,811 dwellings is mainly of traditional construction under tiled roofs with no properties over 4 storeys high with a small number of non-traditional buildings. Over 70% of the stock was built prior to 1974 and comprises a mix of houses, flat/maisonettes and bungalows. The HRA also holds a number of non-housing assets in the form of 360 domestic garages, play areas, open spaces, verges, un-adopted roads, footpaths and a shop.
- 6.3 While the maintenance, repair and development of assets form the majority of the spend profile for the HRA budgets, Melton Borough Council funds has also prioritised services to the most vulnerable people who live in our properties through our Me and My Learning Project in partnership with other agencies. The Council has around 400 properties designated as sheltered accommodation.
- 6.4 The purpose of the Housing Revenue Account (HRA) Business Plan is to set out the priorities, plans and actions for council housing over an extended period of time. It seeks to demonstrate how the Council can maintain housing assets and deliver a quality customer-focused service, as well as improve homes and neighbourhoods in a financially sustainable way. A clear and affordable HRA Business Plan is crucial since central government announced the reform of the rules governing local authority housing finance and the introduction of the self-financing system in 2012.
- 6.5 The HRA Business Plan is formed with a key focus on keeping the residents comfortable and safe and taking into account the following:
- Corporate strategy and priorities

- Current financial position and available resources,
- Condition of the assets and investment required,
- Current challenges and risks in managing the quality of the homes.

The previous HRA Business Plan was approved in 2012 and the capital programme has been refreshed annually since. It is due for a refresh taking into account the changes in legislation, government guidance, financial position and the current condition of the Council stock.

6.6 The TFEC has been actively involved in setting the standards for our housing services and in helping to improve services to tenants and residents. TFEC members are also involved in awarding major contracts for repairs and capital improvements as well as the preparation of the Housing Improvement Plan.

6.7 **Summary of achievements since 2012:**

a) **Improvement works to Beckmill Court:** Improvement works totalling £2.1 million were delivered in 2018. External Wall Insulation has been applied to all facades, with a combination of render and brick slips used to provide a visually attractive external finish whilst also providing weather proofing. The windows have been replaced and upgraded and the original electric storage heaters, which were ageing and expensive to use, have been replaced by a new gas heating system in each flat.

b) **Granby House refurbishment:** Comprehensive refurbishment of Granby House, a sheltered accommodation scheme in the town centre was undertaken at cost of £1.2m. The works included replacement of doors and windows in the communal area, construction of boiler house, insulation of walls and floors and installations of heat stations and extractor flats in individual flats.

c) **Building of new affordable homes:** 10 new Affordable Homes were built on 3 previous garage sites in Greaves Avenue and Tudor Hill in Melton Mowbray and Saxelby Road, Asfordby. The garage sites were underused and in some cases derelict, new housing on these sites have helped regenerate the area and provide much needed affordable housing.

d) **Right to Buy:** Since 2012, the Council has sold 85 dwellings through Right to Buy disposals, generating approximately £4m in retained capital receipts. Since July 2018, £1.09m has been used to add 6 homes through open market purchases to the HRA portfolio, considering the immediate need of the families on the waiting list.

e) **New Housing Repairs Contract:** After a significant procurement process lasting nine months, the Council awarded a new housing maintenance and repairs contract to Axis Europe PLC. The 5 year contract started in October 2018 with provision for extension of further 5 years based on performance.

6.8 **What has changed since 2012 - national context:**

a) In 2012 the Government introduced the 'one for one replacement scheme' for spending the value of increased capital receipts for 'Right to Buy' properties.

b) The Welfare Reform and Work Act 2016 required registered providers of

social housing in England to reduce social housing rents by 1% a year for 4 years from a frozen 2015 to 2016 baseline. This has had a significant negative impact on the income levels. In October 2017 the Department for Communities and Local Government (DCLG) set out a proposal to increase social housing rents, which will be limited to the Consumer Price Index (CPI) plus 1% for five years from 2020. This will provide greater revenue for the Council around rental income.

c) The Housing White Paper, Fixing our broken housing market (February 2017) described a number of initiatives which, taken together, are aimed at securing a step-change in housing supply. The Department for Communities and Local Government (DCLG) was renamed the Ministry for Housing, Communities and Local Government (MHCLG) in January 2018.

d) The social housing green paper published for consultation in August 2018 aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and support social mobility.

e) The paper outlines plans to build on the new borrowing capacity granted to local authorities by exploring new flexibilities on how they spend the money from homes sold under the Right to Buy scheme, and not requiring them to sell off vacant, higher value stock.

f) The green paper considers how the Decent Homes Standard should be reviewed to ensure it delivers the right standards for social housing residents and reflects the Government's current and forthcoming priorities.

g) In October 2018, the borrowing cap on HRA accounts was removed to allow the local authorities to borrow to invest to deliver new homes.

h) In response to the Grenfell incident, the Hackitt report (July 2019), an independent review of building regulations and fire safety called for fundamental reform to bringing forward legislation that delivers an overhaul of the system and gives residents a much stronger voice in an improved system of fire safety.

6.9 What has changed since 2012: Local context

a) The Melton Local Plan was adopted in October 2018. The plan proposes around 6000 new homes and 50 hectares of new employment land, mostly in and around Melton Mowbray, but with enough development in the larger settlements of the surrounding rural areas to provide choice and delivery. The plan also includes policies to revitalise Melton Mowbray Town Centre and to deliver the Distributor Road.

b) In July 2019 Melton Borough Council formally declared a 'climate emergency'. A Climate Change Policy Development Group is established to develop an action plan for how the Council will work towards ensuring its operations become carbon neutral by 2030 and further promote a cutting of emissions within the wider Borough of Melton.

c) In November 2018 the council agreed to change its governance arrangements from the 'Committee system' to 'Executive arrangements' in the form of a Leader and Cabinet model.

d) The proposed new Corporate Strategy (2020-2024) and Priorities are being consulted upon following the feedback from the residents survey in 2019.

e) Over the past 18 months the Council has re-invested in and focussed on improving long standing issues and underinvestment within the housing and landlord service.

f) The Council has been working closely with tenants forum (TFEC) and Cabinet members in creating a comprehensive Housing Improvement Plan (HIP) that identifies a range of actions for improving property compliance and customer experience of the Council's landlord and housing service. This plan was approved by the Council on 4th November and is now being implemented. The HIP approved over £2m investment in the housing services to improve whole service delivery across all areas of compliance and tenancy management. It is envisaged that implementation of the wider actions will have positive impact on managing compliance within housing assets.

g) The new Corporate structure was approved by the Employment Committee on 7th November 2019 and established a new, consolidated Housing and Communities directorate and created the potential for additional housing expertise and capacity at a senior level within the organisation. It establishes a new permanent Housing Asset Manager role to provide clear direction and leadership to the team and improve accountability and responsiveness for housing maintenance and compliance functions.

h) The Council has informed the Regulator for Social Housing (RSH) of the current position on property safety compliance and the immediate remedial actions being implemented to address the situation. The Council will work with the Regulator as part of ensuring the required improvements are delivered in a timely manner.

6.10 Main Considerations:

6.11 Current Financial Position:

a) Value: The housing stock has a vacant possession value of £224m. The balance sheet value or the Existing Use Value (EUV) is £96m.

b) Revenue: Income to the HRA is budgeted in the region of £8m per year, arising mainly from the rents and service charges. Following 4 years of being required to reduce rents by 1%, the Council now has the ability to increase rents by CPI+1% from April 2020.

c) Capital & reserves: The HRA reserves are made up of the major repairs reserve, regeneration and development reserve and capital receipts reserve. The regeneration & development reserve may also be used to fund specific revenue projects. Each year a contribution is made from the revenue account to the major repairs reserve and where there is a surplus top up the regeneration & development reserves in order to achieve financial stability and sustainability over a period of time.

d) Revenue expenditure: The repairs and maintenance costs constitute approximately 27% of the total revenue budgets per year. The staffing costs constitute approximately 23% of the revenue expenditure per year.

e) Past trends in expenditure and income: The last business plan was approved by the Council in 2012. Since then, the capital and revenue programme have been revised every year in accordance with the financial procedure rules. The table below outlines the expenditure and income since 2012 through the HRA:

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	7,207	7,390	7,932	8,117	8,035	7,969	7,862
Revenue Expenditure	6,897	7,094	8,145	7,779	8,308	7,488	7,632
Capital Expenditure	1,055	2,011	2,523	1,476	1,735	2,757	2,485

f) Right to Buy: Since 2012, the Council has sold 85 dwellings through Right to Buy disposals, generating approximately £4m in retained capital receipts.

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	£	£	£	£	£	£	£
Retained capital receipts	195,920	239,024	318,003	992,231	770,510	718,509	670,339

g) Borrowing: As part of the self financing settlement the Council was required to borrow £31m with a cap placed on any further borrowing to a maximum of £33.5m, this amount was not required to be repaid. From October 2018 this borrowing cap has been lifted to encourage the building of new affordable housing. This represents an opportunity for all Councils to increase their affordable housing stock.

h) Investment requirement: The 2012 business plan identified the capital investment need of £35k per home over the 30 year period. The small sample study of stock condition carried out in early 2019 has identified the cost of £44k per property over a 30 year period. This reflects the age of the stock as well as under-investment over past years in proactive maintenance.

6.12 Current Condition of the assets:

6.13 Since 2010, the number of 'non-decent' homes (one of the measures through which housing quality is assessed), rose steadily from around 1% to 32% in 2018. A renewed focus on housing during 2018 and the instigation and acceleration of

the rewiring project in July 2018 has helped reduce the number to the current level of 27.5%. This will continue to reduce as the rewiring and other associated improvement programmes continue. The 'decent homes' performance measure needs to be reviewed to take into account lifecycle as well as the condition of building components.

- 6.14 Stock condition surveys are used for assessing the condition of building components and for planning their repair and maintenance programmes. A programme and budget for planned maintenance would normally be based on past maintenance history and detailed stock condition surveys and include works such as window replacement, kitchen and bathroom replacement, upgrading fire/ smoke/ heat detection, heating upgrades, mechanical ventilation, electrical rewiring, security recommendations and external environmental improvement works etc.
- 6.15 The last stock condition survey undertaken by the Council was in 2010 which only surveyed 10% of the total stock at that time using beacons. This means that the Council has had limited information for all its properties for some time. The partial information that exists has changed significantly over the years and has not been updated. This means that there is insufficient information available currently to propose a programme of works that is comprehensive robust, and fully reliable.
- 6.16 To mitigate this situation, the Housing Improvement Plan (HIP) has proposed to undertake a full and detailed condition survey of all properties. A stock condition survey sample of 30 properties has though already been undertaken earlier in 2019. This has enabled a specification to be developed for the full stock condition survey. The IT and database work package of the HIP is already underway and is establishing a central record for a range of datasets related to the properties. This work is critical to be carried out prior to the commission of the full survey as it would inform the brief for the survey including what are the issues to be addressed, how the information will be collected, how it will be stored and how it will be used to determine what actions need to be taken.
- 6.17 Preparing the specification for the full stock condition survey will start in April 2020 with a view to commence the work by Autumn 2020. The survey is anticipated to take 2 years to complete, in time to inform the preparation of the full 30 year business plan for 2023-53.

6.18 Challenges informing the production of a refreshed Interim HRA Business Plan:

The key challenges faced by the Housing service that can have a significant impact on the refreshed business plan are summarised below:

a) Property safety compliance: The Council, as a registered provider, has an obligation to act to ensure the homes where their tenants live are safe. The Housing Improvement Plan outlines the most critical challenge faced by the Council today in relation to property safety issues and statutory compliance. The actions set out in the HIP are already underway to achieve compliance in the key areas of fire safety, electrical safety, gas safety, water safety and asbestos management. A new baseline will be created by the end of March 2020 for all aspects of property safety. The Fire Risk Assessments for all blocks with communal areas are now complete and a programme of works is being prepared

for implementation over the next two years. These works will need to be prioritised to ensure safety and security of tenants and assets.

b) Data management: Availability, storage, management and retrieval of correct, consistent and reliable information about the housing assets is a key challenge faced by the Council currently. As described in para 6.14 a full stock condition survey is being commissioned alongside the gap analysis and assessment of available IT options to futureproof the data management over a long period of time.

c) Decent Homes standard: Melton Borough Council with its 27.5% of 'non-decent' properties falls within the 10% worst performing local authorities in the country. While the performance is improving due to the rewiring programme started in July 2018, a significant amount of work needs to be undertaken to reduce the numbers. The rolling replacement programme to improve decent homes standard has previously been based upon a lifecycle programme only. It is clear however that the council should incorporate quality and condition of various components within their assessments which were not included before, so as to more effectively understand whether the council's housing stock are meeting the Decent Homes standards.

d) Voids cost and timescales: Insufficient investment in planned maintenance programme in previous years has meant more development and compliance related works for voids properties leading to higher cost and longer turnaround timescales. This has resulted in high level of complaints, dissatisfaction from TfEC and residents and high cost for temporary accommodation. The Task and Finish Group of Scrutiny Committee has completed their report and will recommend a series of recommendations to the Cabinet in January 2020 to improve the situation.

e) Staffing, recruitment, retention: Since 2010, a series of restructures have seen the resources deployed to supporting the management and maintenance of council housing rationalised and there has been considerable instability in the team, both in terms of leadership and wider turnover of staff. The HIP has approved additional fixed term and permanent roles within the housing repairs and housing and communities teams. The risk to recruitment and retention will need to be managed carefully in order to ensure that the projects identified in the business plan are delivered by capable and resourced teams.

f) Financial sustainability of HRA: The HRA is a ring-fenced landlord account recording certain defined transactions arising from the powers conferred on local housing authorities by part II of the Housing Act 1985 and certain provisions of earlier legislation. The Council has a duty to keep an HRA in accordance with proper accounting practices. The Council has a duty to produce and publish an annual budget for the HRA which avoids a deficit. The Council has a duty to review and if necessary revise that budget from time to time. If it appears that the HRA is heading for a deficit, after taking into account the use of reserves, all reasonable and practicable steps must be taken to avoid a deficit at the end of the year. A working balance is set for the HRA of £750k and any surplus/deficit against that amount will be made good/transferred from reserves in the financial year. The HRA is reliant on the rental income which has been constrained by Government policies in recent years. While the reserves have been built up over the past few years, their use needs to be prioritised to mitigate

the compliance issues related to property safety. When the results of the stock condition survey are known the long term financial sustainability of the HRA can be assessed to ensure that there is sufficient revenue and capital to maintain the stock to decent home standard, meet any regeneration requirements and tenants aspirations.

g) Customer dissatisfaction and perception: Recent work undertaken in reviewing the demand through customer services has highlighted housing repairs being the high demand, resource intensive area for the customer services team. Number of complaints related to tenancy issues have risen up steadily which has been recognised by the HIP and additional resources have been allocated to cover tenancy liaison, neighbourhood support and tenancy enforcement. A significant number of actions identified through fire risk assessments relate to the management of the place. Reduction in staffing due to a number of restructures in this area has contributed to the deterioration of quality of service delivery resulting in to high level of customer dissatisfaction. It is evident that dissatisfied customers lose their sense of pride in their homes, which leads to lack of care and increased maintenance cost for the Council. This highlights the need for investment in staffing and other softer interventions in parallel to property maintenance.

6.19 Proposed Interim HRA Business Plan 2020-2023

6.20 The Council's Housing Asset Management Plan (HAMP) needs to be reviewed and will be informed by a detailed and full stock condition survey to be undertaken over the next two years. Therefore in the meantime, an interim business plan and capital programme is proposed to address the issues and challenges the Council is currently seeking to address.

6.21 The focus for the next three years is for the Council to implement the actions proposed in the Housing Improvement Plan and achieve full compliance to all aspects of property health and safety. When the backlog of works and investment is addressed and the results of the stock condition survey are available, it is proposed to prepare a comprehensive business plan in Autumn 2022 to set out the Council's vision and aspiration for the subsequent 30 years.

6.22 It is proposed to prioritise the compliance related projects relating to the Council's existing stock in the next three years. It is proposed that work should continue on preparing robust business cases including design, planning and procuring delivery partners for these projects in readiness for delivery on site as part of the next iteration of the Business Plan. While there is no allocation for construction of these projects in the capital programme at the moment, it is proposed to consider each development on its own merit subject to a viable business case for the use of reserves or borrowing.

6.23 In setting out this business plan, we aim to grow our current services in accordance with the HIP and improve their effectiveness to deliver a long term programme of repairs, maintenance and investment which will sustain homes well into the future. The HIP is the starting point for this business plan and we aim to thoroughly review our services and investment programmes towards the end of 2022 so that we develop a comprehensive plan for improvements from 2023 onwards.

6.24 To inform the interim Business Plan, we have used the data contained in a database called Codeman. This data requires a considerable amount of validation in order to be of use in deriving a short term planned maintenance programme. The proposed 2020-2023 planned works programme has therefore been compiled using the standard replacement cycles from criteria (reasonable state of repair) of the Decent Homes Standard to give an average number of element replacements required per year. The major replacement cycles used are:-

- a reasonably modern kitchen - 20 years old or less
- a reasonably modern bathroom - 30 years old or less
- roof replacement - 50 years
- central heating boiler replacements - 15years
- electric heating replacements - 30 years
- electrical distribution replacements - 30 years
- windows - 30 years

6.25 In addition the Housing Health and Safety Rating Category 1 Hazards such as cold and damp have been addressed through roofing, windows, insulation and improved ventilation and extraction.

6.26 2020 delivery will be slightly lower than in the subsequent two years in order to allow for the procurement of contracts to deliver the various programmes and to ensure 'value for money' is achieved.

6.27 The key themes proposed for investment in the next three years as part of the interim business plan are:

- a) **Safety and quality:** The Council will ensure homes are safe and sustain compliance with appropriate legislation and with the Decent Homes Standard. A revised capital programme of improvement and compliance projects is prepared over the next three years for an estimated cost of £13m, funded from the current reserves.
- b) **Stock condition:** A full and detailed stock condition survey for all properties will be undertaken over the next two years at an estimated cost of £350,000.
- c) **IT infrastructure:** We will embed robust property databases and utilise the data to inform choices based on sound intelligence. Upgrade and acquisition of data management systems and devices will be prioritised. A business case with detailed costings will be presented to the Cabinet in Spring 2020.
- d) **Housing delivery:** The work on the design and planning of development projects will be continued with a view to prepare robust business cases to inform the annual review of the capital programme. All projects from the 2012 business plan will be continued to be developed for the next stage of delivery including Fairmead, Grettton Court, garage sites and non-traditional dwellings sites. In addition, other alternative ways of adding more units to the housing stock will be explored such as purchase of new build homes, joint delivery with private sector house builders as RP, using general fund sites to deliver affordable homes that support the decanting plan to enable schemes such as Fairmead and Grettton Court. As described in para 3.13 these projects will be developed and funded based on individual and viable business cases.

- e) **Energy efficiency:** The Council will deliver planned works that contribute to sustainability and wellbeing by achieving affordable warmth and reducing CO2 emissions. Consideration will be given to energy efficiency in the design of the new developments as well as purchase of new homes. Off-site construction and Modern methods of construction will be considered as part of delivery mechanism for new homes.
- f) **Income generation:** We will explore feasibility to achieve long term financial sustainability through development projects, investment models and other income generation opportunities. The options will include, but not be restricted to, borrowing based on viable business cases, use of general fund assets to deliver social housing and the use of Council owned housing company to deliver temporary accommodation.
- g) **Customer care:** We have our Tenant Forum Executive Committee (TFEC) which acts as our Tenant Scrutiny Panel and with which we work closely to develop our plans and services. As we work up our plans in more detail and review long term options for asset management, we expect the TFEC to remain a key and central part of our plans to develop the service. Additional resources will be deployed in the housing service in accordance with HIP approval and the Corporate restructure.
- h) **Value for money:** Drive value for money and cost effective outcomes for the Council and its tenants. Robust management of repairs, maintenance and voids costs to achieve efficiency and quality of service. Where applicable, costs associated with property health and safety and fire safety works will be recharged to tenants and leaseholders in purpose built flats.
- i) **Policy framework:** A robust and comprehensive set of policies will be developed over the next 12 months in consultation with TFEC and residents for better management of tenancy, properties and allocations.
- j) **Financial management:** To ensure robust financial management a number of financial assumptions have been made in the interim business plan. The significant ones are set out here. It is assumed in the interim business plan that rents will rise at the maximum allowable under government policy. A minimum working balance will be set at £750k reviewable annually when the revenue budget is set. Any surplus over this amount will be transferred to the Development and Regeneration Reserve and any shortfall will be restored from this same reserve. Provision for repayment of the existing debt arising from the end of the subsidy system will not be made. However, where unsupported borrowing is undertaken for the HRA it is considered prudent to make a provision for repayment. As with the previous HRA business plan it is assumed that receipts from the sale of HRA assets including right to buy receipts will be retained within the HRA.

6.28 The proposed total capital expenditure profiled over the next three years is as below: (Please refer to Appendix A for the detailed capital programme)

2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Later Years (pa) £'000
2,956	4,802	4,026	3,988	2,959

6.29 This will be financed by:

	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Later Years (pa) £'000
Major Repairs Reserve	1,593	2,156	2,011	1,981	1,759
Capital Receipts Reserve	395	2,646	2,015	1,533	738
Regeneration & Development Reserve	968	0	0	474	462
TOTAL	2,956	4,802	4,026	3,988	2,959

6.30 The summary of proposed revenue budget is as below: (Please refer to Appendix B for the detailed revenue budget proposal)

	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Total Income	7,533	7,733	7,926	8,100	8,278
Annual Cash flow	912	235	0	0	0
Opening HRA Balance	1,897	985	750	750	750
Closing HRA Balance	985	750	750	750	750

6.31 The proposed position for reserves is summarised as below:

	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
HRA Balances:					
Major Repairs Reserve	2,621	2,198	1,911	1,645	1,592
Regeneration & Development Reserve	4,024	3,845	3,963	3,918	4,026
Capital Receipts reserve	4,063	2,113	808	0	0
Total HRA Reserve Balances	10,708	8,156	6,682	5,563	5,618

6.32 In summary,

As evident from the tables above, the interim plan is fully affordable and reasonably resilient to the challenges and risks known to the Council today.

The Council now has the ability to increase rents by CPI+1% from April 2020. This will mean that subject to Council approval the rent will increase by 2.69% from April 2020. Members are being asked to consider a new Health & safety service charge at the Cabinet meeting on 22nd January, which could generate £72,610 per year to the HRA after allowing for void properties.

Expenditure for the 2 years of the HIP is higher than in previous years but then reduces to follow a more “business as usual” pattern. Outcomes from the stock condition survey especially will inform expenditure budgets better going forward. The working balance will remain at £750,000 with residual balances transferred to the Regeneration & Development reserve with delegation requested as part of the rent setting report to council to access this reserve for schemes supporting the HAMP within the HRA business plan.

The HRA reserves are expected to reduce to in the region of £5.6m by March 2024 if the current capital and revenue expectations are met.

7.0 Consultation and Feedback (including Scrutiny Committee)

7.1 The Interim HRA Business Plan has been shared with TFEC and they have confirmed their support.

7.2 The Interim HRA Business Plan was presented to the Scrutiny Committee on 7th January 2020.

8.0 Next Steps

8.1 On approval, the Cabinet will recommend the report to the Council which will be considered at the xx February meeting.

8.2 Following the approval of the Council, the Interim HRA Business Plan will be published on the Council's website.

9.0 Financial Implications

9.1 The financial implications are set out above.

10.0 Legal and Governance Implications:

10.1 Council, as a local housing authority, must maintain a Housing Revenue Account (HRA) in accordance with s74 of the Local Government & Housing Act 1989.

HRA must include sums falling to be credited or debited in accordance with the category of properties listed within s74(1), which consists primarily of Council housing stock. HRA must include any capital expenditure on housing stock which a Local Authority has decided to charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between HRA or General Fund, therefore HRA is ring-fenced and cannot be used to subsidise a budget deficit within General Fund, neither can General Fund be used to subsidise a budget deficit in HRA.

s76 of 1989 Act requires Local Authorities to formulate and implement proposals to secure HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to next financial year.

11.0 Equality and Safeguarding Implications:

11.1 An EIA will be completed over the course of the next few weeks. However, no negative impact is anticipated on protected characteristics

12.0 Community Safety Implications:

12.1 It is envisaged that the provision of safe and comfortable housing will have a positive impact on community and rates of offending.

13.0 Other Implications

13.1 NA

14.0 Risk & Mitigation:

14.1

14.2

L I K E L I H O O D	A	Very High				
	B	High			3,6	
	C	Significant		2	1	
	D	Low			4,5	
	E	Very Low				
	F	Almost Impossible				
		Negligible 1	Marginal 2	Critical 3	Catastrophic 4	

IMPACT

Risk No	Risk Description	Mitigation
1	Changes to Government guidance and legislation in relation to HRA management having adverse impact on financial position.	Government policies will be monitored regularly.
2	When the databases are refreshed/created, new evidence comes to light that we are not aware of currently and will require attention with additional pressure on resources.	Majority of the data cleansing work will be completed prior to starting new projects. Verification of data will be part of the brief for each new project to manage this risk.
3	Stock condition surveys highlight additional works and funding requirements that are not included within the HRA Business Plan.	This is a high risk. The Plan will be reviewed when the surveys are completed to accommodate new information.
4	HIP/HRA programme board will monitor the progress of these projects on regular basis. Capital programme will be reviewed annually to make any reasonable adjustments.	HIP/HRA programme board will monitor the progress of these projects on regular basis. Capital programme will be reviewed annually to make any reasonable adjustments.
5	Reduced financial resources as a	Costs will be monitored

	result of the above risks and the investment required to bring the stock to decent and compliant standard and impact on future improvement and regeneration schemes.	through the HRA programme board. There is enough headroom in the reserves to fund the regeneration projects, based on robust and viable business cases. Borrowing can be used subject to relevant approvals to fund these projects.
6	Compliance projects, stock condition surveys and business cases for development projects are not ready for the review of the Business Plan in 2022.	Timescales will be critical and will need to be managed tightly. HRA programme board will review these on regular basis. Capital programme will be monitored annually.

Background Papers:

None

Appendices

Appendix A- Proposed capital expenditure
Appendix B- Proposed revenue budget
Appendix- C- HRA Business Plan 2012

	Report Timeline:	Date of sign-off: <i>(initials and date)</i>
	Equalities Check & Challenge	N/A
	SLT Sign off	N/A
	Previously Considered by Cabinet	N/A
	Director Approval	14.01.20
	Legal Approval	14.01.20
	Finance Approval	14.01.20
	Chief Finance Officer Sign Off	14.1.20
	Monitoring Officer Sign Off	14.01.20
	Consultation with Portfolio Holder	09.01.20

Report Author

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