

CABINET - THURSDAY, 16 NOVEMBER 2023

Report of the Director Housing and Wellbeing Lead Member: Executive Member for Public and Private Sector Housing

Part A

HRA BUSINESS PLAN 2023-2053 AND CAPACITY UPDATE

Purpose of report

To seek Cabinet approval for the updated Housing Revenue Account (HRA) Business Plan 2023-2053 and Capacity Review.

Recommendations

1. That the HRA Business Plan 2023-2053 and Capacity Review at Appendix 1 be approved.
2. That a further review of the HRA Business Plan be undertaken in 2024/2025.

Reasons

1. To set out the revised financial framework for how the Council intends to meet the investment requirements necessary to deliver the landlord service and maintain its HRA properties over the next 30 years.
2. To closely monitor projections considering sensitivities at the national level including inflation and government rent policy, and local service pressures.

Policy justification and previous decisions

On 10th February 2022 Cabinet approved an updated Housing Revenue Account (HRA) Business Plan 2021-2052. Alongside this, Cabinet approved the procurement of a contractor to support the development of the Council's Asset Management Strategy through the undertaking of a stock condition survey, high level energy study, and the production of a prioritised investment strategy.

It was noted the HRA Business Plan would be reviewed in 2022/2023 following completion of the stock condition survey given the greater insight in to investment requirements likely to be gained.

On 9th February 2023 Cabinet approved the HRA Asset Management Strategy 2023-2028. The Asset Management Strategy has set out the likely levels of investment needed to maintain the Council's housing stock. The HRA Business Plan sets out how that investment may be funded along with the costs of services provided to tenants.

Implementation timetable including future decisions

It is recommended that, subject to call-in, the HRA Business Plan 2023-2053 and Capacity Review, if approved, come into effect immediately.

Given the economic context and the pressures on housing delivery, a further review of the HRA Business Plan is scheduled for 2024/2025.

Report implications

Financial implications

A stock condition survey has been completed, providing greater insight into stock investment needs and associated costs. Cost inflation has significantly outstripped rent inflation (which was capped for 2023/2024 through government intervention), and borrowing rates are less favourable than they were. Consequently, there is an overall negative impact on the business plan in terms of reduction in reserve balances and increased debt of around £83.2million. The advice from Savills UK is that projected borrowing is within provisional “golden-rule” limits, and there is capacity within the plan to borrow to invest in the stock.

The long-term financial position is subject to external factors including inflation and government rent policy. The Asset Management Strategy 2023-2028 approved by Cabinet in March 2023 sets out several actions which may be taken to improve the value of the stock in part mitigation.

As set out above, a further review of the HRA Business Plan is scheduled for 2024/2025.

Risk management

The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
National sensitivities including inflation, government rent policy, alongside local service pressures impact on the plan, increasing costs / reducing income on an unsustainable basis.	2 Unlikely	4 Major	8 Moderate	Further review of the HRA Business Plan and capacity to take place in 2024/5.
Insufficient senior officer resource with an appropriate span of control to oversee HRA budgets and services leading to	2 Likely	4 Major	8 Moderate	Head of Landlord Services appointed and due to commence in post in December 2023.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
increased costs and loss of opportunity to increase revenue.				

Equality and diversity

The provision of social housing and associated services has a positive impact on equality and diversity. For example, the HRA Business Plan includes sums for:

- Warden support for older people living in sheltered accommodation.
- Tenancy support for vulnerable tenants.
- Anti-social behaviour (ASB) services which manage hate incidents.
- Adaptations for disabled people.

Climate change and carbon impact

The HRA Business Plan includes sums for capital improvements including doors, windows, roofing and insulation, and heating systems. These improvements will avoid increase in energy intensity of Council owned buildings and will maximise efficiency.

Crime and disorder

The HRA Business Plan will positively contribute towards the achievement of the Council's responsibilities under Section 17 of the Crime and Disorder Act (1998) to undertake reasonable action to improve community safety in the borough. Services to tackle ASB and manage neighbourhoods are funded, along with sums for estate improvements, and the installation and maintenance of communal entrance doors which provide an enhanced level of security for tenants and their families.

Wards affected

All wards.

Publicity arrangements

None planned.

Consultations

At its meeting on the 12th July 2023 the Housing Management Advisory Board considered and endorsed the HRA Business Plan 2023-2052 and Capacity Review.

Links to the corporate strategy

Caring for the Environment	Yes
Healthy Communities	Yes

A Thriving Economy	No
Your Council	Yes

Key decision: Yes

Date included on forward plan 18 October 2023

Background papers: Cabinet - 9th March 2023 Housing Revenue Account Asset Management Strategy 2023-2028

Cabinet - 10th February 2022 Draft Housing Revenue Account Business Plan 2021-2052 and Asset Management Strategy Framework.

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Part B

1. Background

- 1.1 The HRA Business Plan (2023-2028) and Capacity Review has been completed with support from Savills UK.

2. Key Points

- 2.1 The amount of rent the Council can charge was capped for 2023/24 by the government at 7%. Costs incurred by the Council, for example around repairs and maintenance, have increased because of global and national inflationary factors. This has a negative impact on the business plan because the rent charged is not keeping up with the costs of delivering the services.
- 2.2 Greater insight derived from the stock condition survey completed in 2022 into the condition of the Council's housing stock has identified more work is needed to keep the stock in good condition. For example, costs increase from year 6 of the plan as kitchens and bathrooms installed around 20 and 30 years ago, respectively, start needing replacement. This is illustrated at *Chart 2.2 - Projected capital expenditure and financing* on Page 7 at Appendix 1.
- 2.3 The cost of borrowing has increased. The current level of borrowing is £78.6 million. Refinancing of existing loans will be needed and an estimated further £ 72.9 million will need to be borrowed to keep the stock in good condition and deliver services. Interest on these loans will be at a higher rate than previous loans. This has a negative impact on the business plan. This is illustrated at *Chart 2.3 - Projected debt profile (HRACFR)* on Page 8 at Appendix 1.
- 2.4 The capacity review part of the plan sets out some indicative thresholds around how much the council could borrow to invest in its stock, services, and priorities, including, for example, improving the energy efficiency of Council homes, improving sheltered accommodation, and delivering new Council homes. Based on several metrics, the capacity review sets out there is scope for additional borrowing.

Appendices

- Appendix 1 Housing Revenue Account (HRA) Business Plan 2023-2053 and Capacity Review