Report for:	**Housing and Communities Overview and Scrutiny Committee**
Date of meeting:	**3rd March 2021**
Part:	**Part I**
If Part II, reason:	

Title of report:	**Housing Revenue Account Business Plan 2021/ 2024**
Contact:	Margaret Griffiths, Portfolio Holder Housing Fiona Williamson, Assistant Director Housing
Purpose of report:	To update the Committee on the Annual Review of the Council's Housing Revenue Account Business Plan
Recommendations	1. That the Committee note the revised Housing Revenue Account Business Plan 2021-2024 2. That the Committee note the revised development programme budgets as set out in Section 9.3
Corporate Objectives:	Delivering Affordable Housing
Implications: 'Value For Money Implications'	<u>Financial</u> Regular review of the Council's Housing Revenue Account (HRA) Business Plan is essential to ensure short, medium and long term viability of the Business Plan <u>Value for Money</u> All contracts and services are tendered in line with the Council's procurement procedures to ensure Value for Money. The Council's Housing Landlord service annually compares running costs with other social landlords through 'Housemark' benchmarking data.
Risk Implications	Monitoring of the Housing Revenue Account Business Plan has been identified as a key risk of the Housing Service and is reported to the Council's Housing & Communities Overview & Scrutiny Committee on a quarterly basis.
Equalities Implications	The Housing Revenue Account is a 'ring fenced' account for income and expenditure solely related to the Council's housing stock, tenants and leaseholders. Community Impact Assessments are produced for all policies that relate to the delivery of housing services and these are reflected in the Business Plan.
Health And Safety	Health & Safety is identified as a key risk of the Housing

Implications	Service and is reported to the Council's Housing & Communities Overview & Scrutiny Committee on a quarterly basis.
Consultees:	Mark Gaynor, Corporate Director of Housing & Regeneration James Deane, Corporate Director Finance & Operations Nigel Howcutt, Assistant Director Finance Fiona Jump – Group Manager Financial Services David Barrett – Group Manager Housing Development Natasha Beresford – Group Manager Strategic Housing Layna Warden – Group Manager, Tenants and Leaseholders Jason Grace – Group Manager Property and Place
Background papers or appendices	Appendix A HRA Business Plan 2021-2024
Glossary of acronyms and any other abbreviations used in this report:	HRA - Housing Revenue Account TAM - Total Asset Management RTB – Right to Buy UC - Universal Credit TA – Temporary Accommodation MHCLG – Ministry for Housing, Communities and Local Government DWP – Department for Work and Pensions PWLB – Public Works Loan Board CPI – Consumer Price Index

1. Background

1.1 In April 2012 the Council agreed its first 30 year Housing Revenue Account (HRA) Business Plan. It was a requirement following the introduction of Self Financing (replacing the HRA Housing Subsidy System). This report details the update to the HRA Business Plan and explains the issues and assumptions, which required consideration, including the impact of the Coronavirus pandemic. This report is to update members of the Housing and Communities Overview and Scrutiny Committee on the content of the Business Plan and assumptions that have been made in the financial model, investment strategy and the ongoing development pipeline.

2.0 Housing Revenue Account Business Plan

2.1 The resources available following the move to 'Self Financing' in 2012, has enabled the Council to establish a strategic approach towards the long term investment plans for the stock. It was possible, and essential, to not only consider the existing housing stock, but also wider issues such as community development, improving the environment and the potential to build new Council homes, to attempt to address the increasing demand yet decreasing supply of social and affordable housing.

2.2 The Business Plan not only concentrates on the financial related strategy and objectives, but also the service priorities of the Council's landlord function to its tenants and leaseholders. The long term perspective is crucial to ensure that the service and its primary assets, the housing stock, are fit for purpose for the whole period and beyond.

3.0 Performance of the Business Plan

3.1 The performance of the Business Plan is monitored through monthly financial management meetings and due to the complex nature of the HRA, and the impact of external factors, including the Coronavirus pandemic, the performance against budget can be subject to various areas of over and underspend throughout the year. These are reported to the Council's Senior Leadership Team, Cabinet and Scrutiny Committees on a quarterly basis.

3.2 There have been a number of areas of investment that has been undertaken to the exisiting stock since the move to self-financing and table 1 below provides details of the delivery of some of the main elements that have been renewed. In addition there has been investment in roof renewals to scheltered schemes, houses and flat blocks, external wall insulation projects and estate improvements, as well as sufficient resources to enable the delivery of the new build programme.

Table 1

Improvement Works	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19	2019/ 20
Kitchens	456	721	433	351	246	437	551	326
Bathrooms	426	529	327	235	210	328	277	294
Re-Wires	605	784	411	252	14	210	118	2
New Doors	1935	3480	2568	1284	907	1044	637	755
Boilers	770	963	782	782	916	1065	875	942

3.3 Specific estate wide projects, including the refurbishment of 3 blocks at Summer Court, to incorporate a biomass boiler and the refurbishment of the block at Longlands, which included thermal upgrading and the addition of 6 new flats as a rooftop development, have been delivered under self-financing.

3.4 The total number of new homes completed is 338, of which 21 have been for market sale to cross subsidise further delivery of social rent properties, 12 self-contained flats for use as temporary accomodation, a 41 bed Hostel and 264, allocated to local people, at social rent since the first HRA Business Plan in 2012.

3.5 The pipeline has the potential, subject to planning, to deliver a further 368 properties and the development team are constantly looking at any sites that become available to assess the viability for socail housing. to align with corportate priority. Table 2 below contains the proposals for the continuation of the development programme over the next 5 years, with further development planned in excess of those that were outlined in the last business plan report, in January 2020.

Table 2

<table>
<tr><th>Scheme</th><th>Status</th><th>Unit Nos</th><th></th></tr>
<tr><td>Built to date</td><td>Farm Place, St Peters, Elms, Aspen Ct, Queens St, Able House, Longlands</td><td>138</td><td rowspan="9">338</td></tr>
<tr><td>Kylna Court</td><td>Completed January 2019</td><td>79</td></tr>
<tr><td>Swing Gate Lane New</td><td>Completed Autumn 2019</td><td>9</td></tr>
<tr><td>Swing Gate Lane Refurb</td><td>Completed Autumn 2020</td><td>3</td></tr>
<tr><td>Magenta Court</td><td>Completed September 2020</td><td>29</td></tr>
<tr><td>Martindale</td><td>Completed November 2020</td><td>65</td></tr>
<tr><td>Northend Garage Site</td><td>Completed June 2020</td><td>6</td></tr>
<tr><td>Westerdale Garage Site</td><td>Completed July 2020</td><td>6</td></tr>
<tr><td>Gaddesden Row</td><td>Completed January 2021</td><td>3</td></tr>
<tr><td>Eastwick Row</td><td>Start on Site Spring 2021</td><td>36</td><td rowspan="2">46</td></tr>
<tr><td>Coniston Road</td><td>Start on Site Spring 2021</td><td>10</td></tr>
<tr><td>Bulbourne</td><td>Design Commenced</td><td>10</td><td rowspan="9">322</td></tr>
<tr><td>St Margarets Close</td><td>Design Commenced</td><td>48</td></tr>
<tr><td>Wilstone</td><td>Submitted for Planning Approval</td><td>6</td></tr>
<tr><td>Randalls Ride</td><td>Submitted for Planning Approval</td><td>30</td></tr>
<tr><td>Garage Sites</td><td>Submitted for Planning Approval</td><td>20</td></tr>
<tr><td>Paradise Depot</td><td>Design Commenced</td><td>40</td></tr>
<tr><td>Paradise Fields</td><td>Planning Approval Achieved</td><td>58</td></tr>
<tr><td>Cherry Bounce</td><td>Design Commenced</td><td>80</td></tr>
<tr><td>LA1</td><td>Design Commenced</td><td>30</td></tr>
<tr><td>Total</td><td></td><td>706</td><td>706</td></tr>
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4.0 Factors considered in the the updated HRA Business Plan

4.1 **Government Policy & Proposals**

4.2 As detailed in previous years' review of the HRA Business Plan, the 1% rent reduction had a negative impact on the income of approximately £33m over the total 4 year period. This reduced resources available to build new homes and invest in the current housing stock.

4.3 The Regulator of Social Housing's Rent Standard, whereby increases will be limited to the Consumer Price Index (CPI) rate of inflation plus 1%, has been implemented from 2020/21, and reflects the Government's Policy Statement on rents. Both of these frameworks set rents for existing tenants and no longer have any provision for a move to convergence (target rent). There is some limited flexibility to increase rents by up to 5% for General Need's stock or 10% for Supported or Sheltered Housing, but this is on the basis of some form of enhancement to either the property or services delivered.

4.4 The lifting of the Debt Cap, in October 2018, has provided the Council with the opportunity, through prudential borrowing, to consider the impact of increasing the new build programme or additional investment in the existing stock. Although this has resulted in no externally imposed limit, the Council need to assess the affordability of any projects, for which the additional borrowing is to deliver and the need to demonstrate that it can prudentially afford to make the repayments associated with any borrowing.

4.5 The affordability of borrowing to fund more house building within the HRA is determined within the this Business Plan, and is influenced by a number of factors and forecasts e.g. rent levels, investment required for existing stock, running costs, land prices, build inflation, borrowing costs etc.

4.6 The government is currently considering the future of the decent homes standard, which was last reviewed in 2006, and set out the minimum standards acceptable for the condition of social housing. The full details of the new standard have not been agreed, and further consultation with tenant representatives will be undertaken to develop a the new standard which are likely to include improved building safety and thermal performance.

4.7 Additionally upgrading the existing stock to adapt to a changing climate and zero carbon targets by 2050, will have some impact on the business plan. There is provision made for investment in both measures to improve the thermal performance of the existing stock and also to address the move away from Gas and use of fossil fuels to renewable and electric based technologies. The Council are working with the Energy Savings Trust and the Greater South Eastern Energy Hubs to model the best measures for the various construction types, to ensure the investment maximises the carbon reductions and that the technology is sustainable.

5.0 Sale of High Value Council Homes

5.1 This proposal, within the Housing & Planning Act 2016, for Local Authorities to sell its high value homes to in effect fund the Right to Buy (RTB) extension to Housing Associations, has been subject to a pilot scheme. The uptake was considerably lower than anticipated but has not been completely discounted at this stage.

5.2 Following professional advice, the HRA business plan currently assumes no payment or loss of stock related to this policy. Should detail be issued during 2020/21, the Business Plan will be reviewed and presented to the Council's Cabinet for approval.

6.0 Universal Credit

6.1 From December 2019, all new working age benefit claims or those households with a significant change in circumstances have been migrated to Universal Credit. The only remaining exception covers a limited number of rent categories, which continue to be paid by Housing benefit, such as temporary accommodation and specialist support accommodation. One of the biggest risks is that tenants directly receive the housing element of UC, whereas Housing Benefit is directly credited to the rent account. As a landlord the Council can apply for a direct payment of rent or rent arrears from the DWP for those tenants who have difficulties paying rent due to certain vulnerabilities.

6.2 A significant challenge has been to accurately identify the long term impact of UC on the collection of rents, which has been further compounded by the impact of the Pandemic. A large number of tenants have contacting their income officers for advice, due to being furloughed or made redundant and for some, it is the first time that they have needed to access benefits.

6.3 The roll out in Dacorum has started in small pockets and is due to complete in December this year, 2021. In April 2019, 517 of the Council's tenants, were in receipt of UC and by the end of December 2020, this had risen to 2201 tenants. The number that are now expected to migrate or be new claimants of UC in Dacorum has increased from 2800 to 3200 in 2020.

6.4 From the information currently available in respect of arrears levels for those in receipt of UC, at the end of December 2020, the current rent arrears for tenants claiming UC, as a percentage of the annual rent debit, equates to 2.7%. The Business Plan has been adjusted to include a provision for irrecoverable debts to £2m in 2020/21 to provide a prudent estimate of the impact of UC and the pandemic.

7.0 Right to Buy

7.1 The re-invigoration of the Right to Buy Policy, (RTB) in 2013, resulted in an immediate and sustained increase in the number of sales. Table 3 below provides the numbers in the past five years and the year to date number for 2020/21. There is a degree of volatility in the numbers or RTB's completed in each year and which had an impact on receipts into the Council and a reduction in rental income from tenancies.

Table 3

Year	Right to Buy sales
2015/16	90
2016/17	93
2017/18	52
2018/19	29
2019/20	38
2020/21 year to date	29 (to 19th Feb 21)

7.2 The assumptions in the Business Plan have been updated to reflect this and the current projection is 726 sales over the remainder of the 30 year plan.

8.0 Increased Development Costs

8.1 The costs associated with delivering the new build schemes have gradually increased against the assumptions originally made in the first iteration of the Business Plan (due to increases in construction costs and increased tender costs).The impact of Brexit has been reflected in some material costs, which have increased as a result of the fall in the value of sterling and there is ongoing uncertainty regarding the availability of skilled labour. The pandemic has also resulted in measures to make sites Covid secure, which has introduced new costs and also resulted in some increased project timescales, with the associated additional pro-rata preliminary costs. It is hoped that these will be temporary in nature' but these factors have caused problems with determining budget forecasts and prudent assumptions have been made, based upon the information currently available.

9.0 Housing Revenue Account Business Plan 2021/2024

9.1 The revised draft of the Business Plan, can be found in Appendix A. All areas of the plan have been reviewed by officers in both housing and finance.

9.2 Appendix 1, of the plan itself, details a number of financial assumptions which are required to enable a level of future financial planning. They have been made based on past and future trends along with the current knowledge of political and external factors. They are however subject to change and close monitoring throughout the year will ensure that, if there is significant change, this can be factored in and the impact reported as required depending on the significance.

9.3 As a result of the revisions and updating of the Business Plan the 2021/24 Business Plan reflects the current 30 year financial forecast, for the Housing Revenue account and some of the key issues are as follows:

- Rents are will rise at CPI plus 1% for the next 5 years and is modelled with just a CPI increase for the remaining years of the plan.
- The Council's selective disposal strategy will continue. An assumption of £1m income per year has been made.
- The level of RTB sales remains forecast at 24 annually. Close monitoring on a quarterly basis will be required to ensure that receipts generated

are in line with financial assumptions and it aligns with the 1-4-1 receipt reinvestment.

- The capital programme of investment in the current housing stock remains significant. The budgets in this area are to be approved within the Council's annual budget setting process. Each year would be subject to review and budget approval. The forecast for the next five years is detailed within table 4 below:

Table 4

2020/21 Current year	2021/22	2022/23	2023/24	2024/25	2025/26
£11.708m	£17.023m	£18.066m	£18.100m	£18.542.m	£17.523m

- Investment in the Council's New Build programme, over the same period is detailed in table 5 below:

Table 5

2020/21 Current year	2021/22	2022/23	2023/24	2024/25	2025/26
£7.743m	£24.337m	£33.911m	£37.781m	£22.190m	£16.375m

9.4 The financial model allows for the use of the 1-4-1 receipts being reinvested. The Council are assessing the opportunity to bid for the next round of the Affordable Homes Grant programme, for the period 2021-26, and await publication of the prospectus, which is due out imminently. Homes England who administer the grant on behalf of MHCLG, have indicated that schemes delivered for social rent and using modern methods of construction, will be given additional consideration in the assessment process. If the Council are able to secure funding, rules governing the use of mixing 1-4-1 receipts and Affordable Homes Grant will need to be adhered to maximise the use of any grant awarded.

9.5 Following an announcement in the November 2020 Spending Review, the Government reduced PWLB borrowing rates to gilts plus 80 basis points (0.08%) for its Certainty Rate borrowing. Certainty Rate borrowing is 20 basis points (0.02%) lower than Standard Rate PWLB borrowing and is available to authorities who provide the Government with information on their plans for long term borrowing and associated capital expenditure. Short term borrowing rates have been reduced accordingly in the current business plan. Longer term borrowing rates are unchanged from the plan approved by Cabinet in January 2020, having already been modelled at a prudent level.

9.6 The current business plan has a peak debt of £396.7m in 2025/26, which incorporates the additional borrowing requirement to deliver the additional units and retain an appropriate level of investment in the existing stock. This has reduced from the peak debt modelled in the January 2020 Business Plan, which had a peak debt of £403.7m in 2024/25.

9.7 Residual debt is forecast at £16.6m at the end of 30 years, previously at £69.61m in the January 2020 plan. The HRA is forecast to be debt free at the end of 32 years, previously 34 years in the January 2020 plan.

10. Recommendations

10.1 That the Committee note the updated HRA Business Plan 2021/2024, as set out in Appendix A.

10.2 That the Committee note the revised investment and development programme budgets, as set out in section 9.3 of this report.