



Housing and Communities Overview and Scrutiny Committee

Report for:	Housing and Communities Overview and Scrutiny Committee
Title of report:	Housing Revenue Account (HRA) Business Plan Update
Date:	2 nd March 2022
Report on behalf of:	Councillor Griffiths , Portfolio Holder for Housing
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A – Climate Emergency Housing Briefing Note February 2022
Background papers:	None
Glossary of acronyms and any other abbreviations used in this report:	HRA – Housing Revenue Account SLT - Senior Leadership Team (Chief Executive and the four Corporate Directors) EPC – Energy Performance Certificate SAP – Standard Assessment Procedure DLUCH – Department for Levelling Up Communities and Housing CPI – Consumer Price Index PWLB – Public Loan Works board UC – Universal Credit

Report Author / Responsible Officer

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Corporate Priorities	Providing good quality affordable homes, in particular for those most in need Ensuring efficient, effective and modern service delivery Climate and ecological emergency
Wards affected	All Wards

Purpose of the report:	1. To provide members with an update on the Housing Revenue Account Business Plan
Recommendation (s) to the decision maker (s):	1. That members consider the report and note the approach and amendments to the Housing Revenue Account Business Plan
Period for post policy/project review:	Annual review

1 Introduction/Background:

- 1.0.1 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 inform the plan, 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.
- 1.0.2 The increased resources available, following the move to 'Self Financing' in 2012, have enabled the Council to establish a strategic approach towards its long term investment plans for the stock. Since the development of the Business Plan it has been 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 increasing demand for social and affordable housing.
- 1.0.2 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. This 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.
- 1.0.3 This report outlines the current data that is being used to inform the Business Plan and some of the risks associated with the need to obtain further stock condition information to further inform investment strategies and the creation of an Asset Management Strategy, which not only considers the investment in the existing stock but also the opportunities that could be afforded through any estate regeneration.

2 Performance and Governance

- 2.0.1 The performance of the Business Plan is monitored through monthly finance management meetings and updates are reported to the Council's Senior Leadership Team, Cabinet and Scrutiny Committees annually.
- 2.0.2 The planned investment programmes have been reduced over the past 18 months of the pandemic, to reduce both the risk of infection transmission, but also to prevent the risk of works to kitchens and bathrooms being interrupted through infection or self-isolation and the detrimental impact on households as a result. The planned works program for 2022-23 is currently based on investment at the pre-pandemic levels

3 Factors considered in the updated HRA Business Plan

Government Policy & Proposals

- 3.0.1 As detailed in previous years' reviews 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.
- 3.0.2 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 Needs 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.
- 3.0.3 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 making additional investment in the existing stock. Although this has resulted in no externally imposed limit, the Council needs to assess the affordability of any projects, for which the additional borrowing is to deliver, and consider how it demonstrates that it can prudentially afford to make the repayments associated with any borrowing.
- 3.0.4 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.
- 3.0.5 The government is currently considering the future of the decent homes standard which sets out the minimum standards acceptable for the condition of social housing (this was last reviewed in 2006). 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 standards, which are likely to include improved building safety and thermal performance.
- 3.0.6 Additionally, upgrading the existing stock to adapt to a changing climate and zero carbon targets by 2050, will have an impact on the business plan. There is current provision made for investment in measures to improve the thermal performance of the existing stock and to address the move away from gas and use of fossil fuels to renewable and electric based technologies. The data from the Energy Savings Trust, South Eastern Energy Hub and Energy Performance Certificates (EPC), will be used to extrapolate the investment requirements for Council owned housing stock, to aim to reach the minimum energy efficiency standard of a Band C by 2030, in line with the government's energy white paper. The details of the investment in stock which has been undertaken to date and new build specification is contained in Appendix A, Climate Emergency Housing Briefing Note February 2022.
- 3.0.7 Following an announcement in the November 2020 Spending Review, the Government reduced Public Works Loan Board (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. This is reflected in the business plan for short term borrowing. Longer term borrowing rates are modelled at a prudent level.

4. Impact of Universal Credit, Inflation and the Pandemic

- 4.0.1 A prudent assumption was made in the 2021-22 Business Plan based upon the arrears levels for those in receipt of UC, at the end of December 2020, when the current rent arrears for tenants claiming UC, as a percentage of the annual rent debit, equated to 2.7%. The Business Plan was adjusted to include a provision for irrecoverable debts to £2m in 2020-21.
- 4.0.2 The income team has increased in capacity and is utilising Income Analytics software to target early support and intervention. The current rent collection is higher than during the same period last year, with rent arrears in January 2022 at 4.1%. This was 4.55% during January 2021. The bad debt provision has been modelled at £2M due to the current energy cost and household inflationary pressures that are expected to continue into 2022-23.
- 4.0.3 The capital works delivered in the current financial year was reduced due to the need to ensure tenants remained safe in their homes and the majority of the works undertaken related to the replacements of external components.

5 Right to Buy

- 5.0.1 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 1 below provides the numbers in the past six years and the year to date number for 2021/22. There is a degree of volatility in the numbers of RTBs completed in each year which has an impact on receipts into the Council and a reduction in rental income from tenancies.

5.0.2 Table 1

Year	Right to Buy sales
2015/16	90
2016/17	93
2017/18	52
2018/19	29
2019/20	38
2020/21	35
2021/2022 - year to date	36

- 5.0.3 The assumptions in the Business Plan have been updated to reflect the current trend and have been increased from 24 per annum, to 30 per annum from 2022-23 onwards.
- 5.0.4 The financial model allows for the use of the 1-4-1 receipts from RTBs being reinvested in the Council's development programme. The Council has obtained Investor Partner Status and is proactively seeking Affordable Homes grant funding through the Continuous Market Engagement route. The current Affordable Homes Grant programme, covers the period from 2021-26.
- 5.0.5 Homes England, who administer the grant on behalf of DLUCH, has 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 is 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.

6 Stock Condition Survey and Building Safety Bill

- 6.0.1 Another key data set that is required, and which is likely to have a further impact upon investment decisions, is the information obtained through the stock condition survey, which will capture 100% of the stock condition data over the next three years. The surveys commenced in December 2021, which coincided with the Omicron variant of the Coronavirus and resulted in some difficulties with gaining access to priorities. The situation has improved and, once captured, the data will refine the assumptions that have currently been modelled in the Business plan regarding the investment required for component replacement.
- 6.0.2 The Council has undertaken a review of the blocks of flats that will be in scope when the Building Safety Bill achieves Royal Assent. Calford Seadon have been commissioned to assess the current status of both the Fire Risk Assessment data and identify any additional data that will be required to be in a position to demonstrate compliance when buildings over 18m will be subject to inspection and certification by the Building Safety Regulator. The Business plan includes a contingent item for any costs associated with compliance, which will be refined once the analysis of the data has been concluded.

7 Investment profile

- 7.0.1 The revised modelling and outputs of the Business Plan, plan have been reviewed by officers in both housing and finance teams, to provide the various options for investment.
- 7.0.2 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.
- 7.0.3 As a result of these revisions and updates, the 2022/23 Business Plan reflects the current 30 year financial forecast, for the Housing Revenue account and some of the key issues are as follows:
- Rents 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 level of RTB sales remains forecast at 24 annually to the end of the current year and is then increased to 30 from 2022. Close monitoring on a quarterly basis will be required to ensure that receipts generated are in line with financial assumptions and that they align 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 the budgets are subject to review and budget approval. The forecast for the next five years is detailed within table 2 below:

Table 2

2021/22 Current year	2022/23	2023/24	2024/25	2025/26	2026/27
£13.818m	£22.029m	£18.100m	£18.524m	£17.523m	£15.306m

- Investment in the Council's New Build programme, over the same period is detailed in table 3 below:

Table 3

2021/22 Current year	2022/23	2023/24	2024/25	2025/26	2026/27
£7.799m	£45.891m	£47.519m	£36.587m	£28.035m	£16.375m

7.0.4 Table 4 below provides details of the schemes delivered to date, those currently under construction and those in the development pipeline. The table includes both properties let at social rent through the HRA, temporary accommodation units, six units developed as a rooftop scheme at Longlands, and 21 units that were developed on the Martindale site for open market sale, to cross subsidise the development program.

Table 4:

COMPLETED			
Built pre 2019	Farm Place, St Peters, Elms, Aspen Ct, Queens St, Able House, Longlands	138	338
Kylina Court	Completed January 2019	79	
Swing Gate Lane New	Completed Autumn 2019	9	
Swing Gate Lane Refurb	Completed Autumn 2020	3	
Magenta Court	Completed September 2020	29	
Martindale	Completed November 2020	65	
Northend Garage Site	Completed June 2020	6	
Westerdale Garage Site	Completed July 2020	6	
Gaddesden Row	Completed January 2021	3	
UNDER CONSTRUCTION			
Eastwick Row	Cladding Completed - Start January 2022	36	
Coniston Road	Start on Site Spring 2021	10	
DEVELOPMENT			362
Bulbourne	Design Commenced - On Hold	11	
St Margarets Close	Planning Approval achieved	46	
Wilstone	Start on Site Spring 2022	6	
Randalls Ride	Start on Site Spring 2022	30	
Garage Sites	Start on Site Summer 2022	25	
Paradise Depot	Submitted for Planning Approval	50	
Paradise Fields	Start on Site Spring 2022	58	
Cherry Bounce	Design Commenced	80	
LA1	Design Commenced	30	
Stoneycroft	Design Commenced	12	
Varney Road	Design Commenced	6	
Aragon Close	Start on Site March 2022	8	
Total		746	

8.0 Risks and Opportunities

Stock Condition Data

8.0.1 The current investment programmes have been modelled using historic stock condition data combined with data on component replacements that have been undertaken in the past seven years and will need to be updated with the data which is currently being collected. Until there is a more significant percentage of current stock condition data, the ability to forecast the investment programmes accurately, is compromised.

Land for new build supply

8.0.2 The current Business Plan has an identified pipeline of New Build schemes, however there are pressures on land availability, which may create difficulties securing land for an ongoing pipeline, so the opportunity to consider any land assembly or wider estate regeneration will be part of the focus of the new strategic housing team, proposed as part of the organisational restructure to create a more substantial HRA strategic housing function for the Council's housing service.

Strategic Housing Function

8.0.4 Proposals have been developed to create a more substantial HRA strategic housing function for the Council's housing service. The new service will create capacity for a comprehensive review and options appraisal process for the Council's housing stock. This will guide decisions on estate regeneration and investment requirements over the coming years. Further opportunities for social housing development will also be identified through this additional capacity.

8.0.5 The new service will also provide increased focus on the development of Dacorum's affordable housing pipeline and will create strategic capacity for the development of the strategic relationships needed with both Registered Providers and Developers so that the Council can maximise investment in affordable housing to ensure there is a strong pipeline of truly affordable housing supply in the borough.

8.0.6 This proposal will also ensure that a high-quality housing research, policy and information function is provided to the directorate.

8.0.7 Finally the service will provide improved performance monitoring capacity for the housing service and will lead the development of the Council's new Housing and Tenancy strategies and other key policy documents.

The service will consist of a new AD of Strategic Housing supported by the following officers:

- Strategic Housing Team Leader
- Strategic Housing Lead Officer – in 22/23 baseline budget (GF and HRA apportioned cost)
- Strategic Housing Officers x2

8.0.8 The service will have a working budget of £200,000 per annum in order to commission stock reviews, technical surveys, options appraisals and feasibility studies for particular stock archetypes and estates.

Investment and Asset Management Strategies

8.0.9 The decisions around the approach towards the investment strategy will be undertaken when a number of pieces of work that are in progress have concluded, namely the stock condition survey of at least 20% of the stock, the sheltered scheme review, and the overlay of the EPC and Energy Savings Trust information.

8.1.0 Once this data is available some sensitivity analysis can be undertaken to develop the Asset Management Strategy, which will need to include the ongoing costs to comply with the requirements of the Building Safety Bill and have the opportunity to consider any larger scale estate regeneration projects and associated costs.

Grant Funding

8.1.1 The Council will continue to bid for any available grant funding through Homes England for Affordable Homes Grant and will seek funding to support the thermal upgrading to the stock that becomes available throughout the life of the Business plan. The Council has been successful in securing £300K funding from the Social Housing Decarbonisation fund which will supplement the existing budget in the financial year 2022-23.

9.0 Consultation

SLT

Nigel Howcutt – Assistant Director Finance and Resources and S151 Officer

Fiona Jump – Group Manager Financial Services and Deputy S151 Officer

Chris Stratford – Interim Corporate Director, Housing

Jason Grace – Group Manager Property and Place

Natasha Beresford – Group Manager Strategic Housing

Oliver Jackson – Group Manager Tenants and Leaseholders

David Barrett – Group Manager, Housing Development

Ada Terry – Team Leader Strategy, Improvement and Engagement

10.0 Financial and value for money implications:

10.0.1 Financial

All areas of the Housing service are subject to Monthly Budget Monitoring Meetings with the HRA Financial Accountant. Budget Reporting is provided quarterly to Housing and Communities Overview and Scrutiny Committee. Material variances are considered and interventions identified where appropriate.

10.0.2 Value for Money

The Housing Service & its costs are reviewed annually through a national benchmarking organisation (Housemark) and each of the contracts with service providers provide the opportunity for sector benchmarking to be undertaken as necessary.

11.0 Legal Implications

The Housing service is required to comply with all statutory legislation relating to the delivery of a landlord and housing allocations and homeless service. The performance report contains a number of these areas of compliance.

12.0 Risk implications:

The Housing Operational Risk register details the risks associated with the management of the Housing service and is updated following any changes in the risk profile and reviewed quarterly, for inclusion in the performance reports to Housing and Communities Overview and Scrutiny.

13.0 Equalities, Community Impact and Human Rights:

13.0.1 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 developed whenever there is a requirement to change or create a new policy or procedure or significant change to service delivery.

13.0.2 Human Rights – There are a number of services that are provided to tenants and leaseholders which involve entering their homes. The policies adopted by the Council are subject to tenant consultation or oversight to make sure that the right to respect for private and family life is considered and balanced against other landlord responsibilities for health and safety.

14.0 Sustainability implications, Health and Safety

Investment programmes are contained in the HRA Business Plan and include sustainability and compliance to address the corporate priorities and statutory legislation.

15.0 Council infrastructure

The HRA stock and management of the asset, including services that are outsourced forms part of the wider estates resources and the management of health and safety related matters are reported into the Corporate Health and Safety Working Group

16.0 Conclusions: The HRA Business Plan has been updated to reflect the variables contained in the financial model and current government policy. A further report will be provided towards the end of the year when the data from the stock condition survey, the EPCs and the sheltered scheme review been mapped into the asset management strategy.