



# Cabinet



www.dacorum.gov.uk

<b>Report for:</b>	Cabinet
<b>Title of report:</b>	Housing Revenue Account (HRA) Business Plan Update
<b>Date:</b>	19 <sup>th</sup> April 2022
<b>Report on behalf of:</b>	Councillor Griffiths, Portfolio Holder for Housing
<b>Part:</b>	I
<b>If Part II, reason:</b>	N/A
<b>Appendices:</b>	Appendix A – Climate Emergency Housing Briefing Note February 2022
<b>Background papers:</b>	None
<b>Glossary of acronyms and any other abbreviations used in this report:</b>	HRA – Housing Revenue Account SLT - Strategic Leadership Team (Chief Executive, Deputy Chief Executive and the 3 Strategic Directors) EPC – Energy Performance Certificate SAP – Standard Assessment Procedure DLUHC – Department for Levelling Up for Housing and Communities CPI – Consumer Price Index PWLB – Public Loan Works board UC – Universal Credit

## Report Author / Responsible Officer

Deborah Wickham, Corporate Director, Housing (Interim)



Deborah.wickham@dacorum.gov.uk / 01442 228875 (ext. 2575)

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

<b>Purpose of the report:</b>	To provide members with an update on the Housing Revenue Account (HRA) Business Plan
<b>Recommendation (s) to the decision maker (s):</b>	<ol style="list-style-type: none"> <li>1. That Cabinet recommends that Council approves the updated Housing Revenue Account (HRA) Business Plan</li> <li>2. That Cabinet approves the following budget virements in the HRA for 22/23: <ul style="list-style-type: none"> <li>• £140k increase to the HRA Supervision and Management employee budget to cover the costs of an additional Team Leader Post and two new Strategic Housing Officer posts.</li> <li>• £200k increase to the HRA Supervision and Management supplies and services budget to cover the additional work to be undertaken in respect of stock reviews etc.</li> <li>• £340k reduction to the HRA Revenue Contribution to Capital budget.</li> </ul> </li> </ol>
<b>Period for post policy/project review:</b>	Annual review

## **1 Introduction/Background:**

- 1.1 This Plan outlines to Cabinet an update on the financial model, the Investment Strategy and the ongoing improvement and development pipeline. It also identifies pressures to the sector and has regard to the impending Building Safety Bill being enacted.
- 1.2 In 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).
- 1.3 As the Council moved to Self-Financing in 2012, a broad strategic approach was adopted, enabling the Council to plan in the longer-term regarding investment in its Council owned housing stock. In this Plan, the Council has set out its strategic approach not just to housing stock, the conditions and improvements but community cohesion and development, environmental priorities and of course building new sustainable communities and homes. The Council has seen an increase in demand for affordable housing, (all forms of tenure including Shared Ownership).
- 1.4 The Plan details the financial related aspects and details how the Council's responsibilities as a Landlord can be discharged and compliant. It is crucial and prudent to ensure that housing stock is maintained to a good standard, is fit for purpose in the short, medium and longer terms and continues to serve the residents of Dacorum who are in greatest need.
- 1.5 The Council acknowledges that the data used to inform plans is being improved. A decision to set out its housing stock in an Asset Management Strategy was taken, and all housing stock will have a Stock Condition Survey undertaken over three years (ending 23/24). These surveys are vital in identifying community assets that require improvements, estate regeneration, potential remodelling and guide financial budget setting.

## **2. Performance and Governance**

- 2.1 The Plan is monitored through monthly finance management meetings, reported through to the Strategic Leadership Team (SLT) and Scrutiny and Cabinet. There is a clear governance structure that underpins the Plan.
- 2.2 The Coronavirus Pandemic has affected performance measures nationally and locally. Whilst the Council can see some form of recovery traction now, its planned Kitchen & Bathroom refit programme was stalled due to maintaining health & safety related infection control helping with reducing the risk to residents and employees alike. This was over the period of 18 months. The planned works programme for 22/23 is based on pre-pandemic levels.
- 2.3 The Council has recommenced delayed works due to the Coronavirus Pandemic.
- 2.4 Further scrutiny is in place with team leaders to ensure that all works are carried out to a good standard, value for money and include resident feedback and surveys.

## **3 Government Policy & Proposals**

- 3.1 The 1% rent reduction has impacted the income levels to approximately £33m over a total of four years. This decrease in income contributes to a negative impact on building new homes and investment in its current housing stock

- 3.2 When consideration is given to setting rents, (which becomes income in most parts), the Rent Standard which is regulated by the Regulator for Social Housing (RSH) must have regard to the Consumer Price Index (CPI) Rate plus 1%, albeit there is some flexibility to increase rents in General Needs by 5% and older people's accommodation by 10%. Further analysis is required to enhance the rent setting for Dacorum's housing stock.
- 3.3 There is also opportunity for prudential borrowing, (as a result of the Debt Cap being lifted in 2018), allowing increased investment in the new build programme. Whilst there is no ceiling threshold recommended by the Debt Cap being lifted, the Council demonstrates its financial consistency and prudence by assessing the need, potential borrowing, repayments and interest rates when seeking opportunities through this avenue. There are numerous aspects that influence borrowing as well as rent setting, running costs, land prices and viability surveys, inflation and increase in build costs, including the increase in labour market prices.
- 3.4 The Council must have regard to the Decent Homes Standard, this sets out the minimum acceptable condition standard for our housing stock. The Council underpins this through its Housing and Tenancy Strategies. There is a likely addition to the Standards including thermal performance (energy performance) and improved building safety regulations.
- 3.5 The Council is committed to reducing its carbon emissions in line with the new Energy Efficiency standard (minimum Band C) by 2030. This is detailed in the Government's white paper. Improvements to thermal performance, reduction in the use of gas and fossil fuels, replacing those with electric generated energy technologies requires investment and is contained within the HRA Business Plan. The data from sources such as South Eastern Energy Hub, the Energy Savings Trust and the Stock Condition Surveys/Asset Management will help the Council form its investment commitments whilst tackling climate emergency concerns. There is a briefing in Appendix A – Climate Emergency Housing Briefing February 2022, detailing the extent of its need to become more environmentally adaptable and still meet the demand for Council housing.
- 3.6 The Council is committed to drawing on the Public Works Loan Board (PWLB) and the way the borrowing is calculated (rates to gilts plus 80 basis points (0.08%) for its Certainty Rate with CR lower than Standard Rate PWLB borrowing). This means that short term borrowing can be affected but it leaves prudent room to plan for longer term borrowing.

#### **4 Increase in Rent Arrears and irrecoverable debts 20/21**

- 4.1 The Council has based its assumptions for this plan on rent arrears, which currently equates to 2.7% of its annual rent debit. The plan was adjusted to include a provision for irrecoverable debts to £2m in 20/21.
- 4.2 The mitigations set against the risks included increased capacity in staff numbers, procuring Income Analytics software targeting residents who require early intervention and support with their arrears which has increased the rent collection by 0.4%. The level of rent arrears in 2021 was 4.55%, decreasing to 4.1% in January 2022. The Bad Debt Provision is set at £2m which includes the likelihood of the impact of steeply increased energy bills and inflationary post-pandemic pressures on households. There is some movement for an increase in unemployment. It should be noted that the 'internal' Capital works programme was significantly reduced due to the Pandemic and the need to keep residents and staff safe and reduce the spread of Covid. 'External' component replacements continued but at a much slower pace due to staff shortages and material shortages nationally and locally.

#### **5 Right to Buy**

5.1 The re-invigoration of the Right to Buy Policy, (RTB) in 2013, resulted in an immediate increase in the number of sales recorded yearly. Table 1 provides the Right to Buy sales since 15/16. It is recognised that there is some volatility in recent years' sales which has an impact on Receipts (which contribute to building new homes) and rental income as the occupier moves to a mortgaged or cash purchase.

5.2 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	36

5.3 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.

5.4 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 pro-actively seeking Affordable Homes grant funding through the Continuous Market Engagement route. The current Affordable Homes Grant programme covers the period from 21-26.

5.5 Homes England indicates that grants used to deliver social rent and use "modern construction" methods will be given additional weighting and consideration in the assessment of grant process. If the Council secures additional funding, due regard for merging 1-4-1 receipts and Affordable Housing Grant will need to be adhered to in order to maximise the use of the funding.

## **6 Stock Condition Survey and Building Safety Bill**

6.1 The Council wishes to continue to make sound, prudent decisions in terms of investment and seeks further information on its current housing stock to assist in those decisions. The Stock Condition Surveys programme (SCSP) will capture up to 100% of stock condition within three years. A sample cut of approximately 20% can be used to inform decisions ongoing. The SCSP commenced in December 2021, coinciding with the Omicron variant of the Coronavirus and resulted in, understandably, difficulties with gaining access to properties. The situation has improved, and the programme is on track. Once captured, the data will refine the assumptions that have currently been modelled in the Business plan regarding the investment required for component replacement.

6.2 The Council has made experienced and informed assumptions in the likely event of the Building Safety Bill (BSB) achieving Royal Assent in the coming months. A review was scoped and undertaken on the Council's blocks (flats) to ensure they were in scope of the BSB when enacted. Calford Seadon were commissioned to assess the Fire Risk Assessment (FRA) data, on behalf of the Council, with regard to any assumed high-rise blocks, and were scoped with identifying any additional data that could be used to give assurance that the Council's Fire Risk Assessment will be compliant. The data that was captured can help inform future decision making as soon as the BSB is defined.

## 7. Investment profile

- 7.1 The revised modelling has been scrutinised and reviewed by officers, in both housing and finance service areas, with the outcomes providing various different options for investment (further scoping is required).
- 7.2 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.
- 7.3 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 that has covered already\* are as follows:
- Rents will rise at CPI plus 1% for the next 5 years and is then 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 *	2022/23	2023/24	2024/25	2025/26	2026/27
£13.818m	£22.029m	£18.100m	£18.524m	£17.523m	£15.306m

\*denotes current year.

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

Table 3:

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

\*denotes current year.

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 programme.

Table 4:

<b>COMPLETED</b>			
Built pre 2019	Farm Place, St Peters, Elms, Aspen Ct, Queens St, Able House, Longlands	138	338
Kylna 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	
<b>UNDER CONSTRUCTION</b>			46
Eastwick Row	Cladding Completed - Start January 2022	36	
Coniston Road	Start on Site Spring 2021	10	
<b>DEVELOPMENT</b>			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	
<b>Total</b>		<b>746</b>	<b>746</b>

## 8. Risks and Opportunities

### Stock Condition Data

- 8.1 The Council was relying on old Stock Condition data to inform its Plan. This risk has been mitigated with the introduction of the SCSP.

### Land for new build supply

- 8.2 The Council has recognised risks regarding land availability. A slowdown in new build opportunity is assumed as difficulties in securing land for an ongoing pipeline is acknowledged but opportunity is considered for wider estate regeneration and land assembly. Both mitigating against the decline in land availability that is suitable for development.

### Changes to the Housing Service structure

- 8.3 Proposals have been developed to create a more substantial and resilient HRA strategic housing function. The creation and ongoing development of the strategic housing service area creates additional capacity to ensure that all aspects of housing strategy are considered through options appraisals, comprehensive reviews, renegotiating Nominations Agreements with our partner stakeholder Registered Providers and new partners, building on strengthening strategic partnerships across

rough sleeping initiatives and identifying further funding and grant opportunities. This service area will continue to influence and guide future investment in estate regeneration, new homes building, changes in legislation and be responsible for reporting on demand and supply modelling.

- 8.4 This service area will also ensure that a high-quality housing research, policy and information function is provided and reported across the Council.
- 8.5 Finally, the service will review and subsequently 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.
- 8.6 The service will have a working budget of £200,000 per annum in order to commission additional stock reviews, technical surveys, options appraisals and feasibility studies for particular stock archetypes and estates.

### **Investment and Asset Management Strategies**

- 8.7 The decisions around the approach toward the investment strategy will be undertaken when a suite of accountable reviews have concluded. This includes the Stock Condition Surveys which inform the Asset Management Strategy, the review of Supported Housing (Older people's accommodation options) and a Temporary Accommodation review not to mention a Rents review, development of a Demand and Supply model, the introduction of the new Allocations Policy and a service wide ICT review.
- 8.8 Further sensitivity analysis can be underpinned by the review outcomes so that ongoing compliance is effectively managed, assets are regenerated efficiently, and further projects are given consideration following analysis of the latest data.

### **Grant Funding**

- 8.9 The Council will continue to bid for any available grant funding through Homes England and will seek funding to support the thermal upgrading of the stock as and when it 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 22/23.

## **9. Consultation**

Strategic Leadership Team

Nigel Howcutt – Chief Finance Officer (S151 Officer)

Fiona Jump – Head of Financial Services (Deputy S151 Officer)

Chris Stratford – Interim Corporate Director, Housing – no longer at DBC

Jason Grace – Head of Housing Property Services

Natasha Beresford – Assistant Director Strategic Housing

Oliver Jackson – Head of Housing Management

David Barrett – Head of Development

Ada Terry – Team Leader Strategy, Improvement and Engagement

## **10. Financial and value for money implications:**

### **10.1 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.

## **10.2 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. The Strategic Housing team will seek out best practice and ensure that performance indicators are measurable, effective and sustainable.

## **11. Legal Implications**

The Housing service must comply with numerous varying pieces of regulatory and statutory compliance. This ranges from homelessness prevention and relief to allocation of social housing through its waiting list to health & safety compliance and tenancy law. The service will review the implications as necessary, and this is business as usual.

## **12. 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. Equalities, Community Impact and Human Rights:**

13.1 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.

13.2 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 "quiet enjoyment" is balanced against our responsibilities to discharge our housing functions effectively.

## **14. 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. 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. Statutory Comments**

### **Monitoring Officer:**

The annual review provides a robust mechanism to monitor the business plan to ensure that it takes account of changes in government policy, law and the economy and therefore meets the Council's statutory requirements.

### **Deputy S151 Officer:**

There are some inflationary assumptions inherent within the Business Plan which are liable to change over the lifetime of the plan and so represent a risk to delivery. These assumptions are kept under regular review.

The Business Plan incorporates a programme of capital works, which must be financed. Funding sources available to meet the cost of these works includes capital receipts and reserves, grant funding and external borrowing.

The way in which the Council structures its borrowing will influence the amount of funding available to deliver the Business Plan in future years. Borrowing options and the associated implications for the Business Plan will be presented to Members in advance.

**17. Conclusion:**

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 toward the end of the financial year which will update Cabinet on any changes.