Housing Revenue Account Business Plan 2024 Update

1. Introduction

1.1 The Council recognises the part housing plays in making Dacorum a great place to live. Good quality and affordable housing is a vital part of the Council's long-term vision for the borough. The Council's Corporate Plan identifies this priority with a commitment to "providing good quality affordable homes, particularly to those most in need". The Housing Revenue Account (HRA) Business Plan details the financial implications associated with plans for new and existing Council homes, as set out in the Council's Housing Strategy 2024-29.

1.2 The HRA Business Plan sets out the long term financial position of the HRA for a period of 30 years. The key focus is on the medium-term (the first five years) where there is greater certainty on costs, demands, resources and pressures. The HRA Business Plan does not include the activity financed by the Council's General Fund, such as homelessness and nightly paid accommodation.

1.3 This plan demonstrates:

- The sustainability of our existing homes supporting the Council's overall vision and priorities.
- How viable our current investment plans are in the long-term.
- The finances available for investment in new homes and investment in our existing stock and services.

1.4 The HRA Business Plan sets a broad context for financial planning and investment decisions to support delivery of the Council's strategies for housing. The plan takes account of the known financial information and issues, as well as assumptions made about variable elements impacting on the plan (e.g. inflation and interest rates). The financial model used helps to support the analysis of the impact of changes to the information used and the assumptions made.

2. Background

2.1 The Council's Housing and Property Service provides services to approximately 12,000 properties across the Borough. Of these, c1, 900 are supported housing and services are provided to around c1, 800 leasehold flats. The majority of the properties are general needs homes (c8, 300) and there are plans to develop new homes by the Council and in partnership with others.

2.2 The 12,000 properties provide a significant resource to meet local housing needs, although these needs are increasing due to the cost of living crisis, increasing private sector rents and increasing household formation. The services delivered also have a positive impact on the local economy. The provision of affordable housing, helps people into work, improves health outcomes and creates employment opportunities through our contracts with external partners.

2.3 The HRA is a ring-fenced account showing the income and expenditure incurred on the Council's housing stock. The cost of borrowing and an allowance for depreciation (i.e. capital charges) are also included.

2.4 The Council has continued to deliver a strong new homes development programme at social rent across the borough for local people, as well as temporary accommodation and a homeless hostel. To date, we have completed 366 new homes and have a further 183 currently under construction and then a further 88 in the pipeline, with plans in place to build more. A Strategic Asset Review is being carried out of all Council land and assets to consider new development opportunities.

2.5 The HRA Business Plan has been reviewed and updated to include the latest priorities and financial position of the Housing and Property Services directorate. This includes aligning the HRA Business Plan to the following areas:

- The Housing Strategy 2024 – 2029 and how the strategy's delivery plan will be supported by the HRA Business Plan.
- The Asset Management strategy; the HRA Business plan will ensure investment supports the effective management of the assets.
- The Council's corporate priorities as set out in the current Corporate Plan, including how the housing service can contribute to the net carbon zero targets.

2.6 The annual investment of over £30 million into existing homes and the new build programme, ensures we are able to provide good quality affordable homes, in particular for those most in need.

2.7 This updated business plan starts at the beginning of the financial year 2023/24 and extends over the next 30 years. It incorporates the latest budgetary forecasts, and contingency provision has been made for increased investment to meet challenges facing registered providers of social housing.

3. Financial Context of the HRA Business Plan

3.1 The HRA Business Plan reflects the plans the Council has to maintain a supply of good quality housing and to increase the local provision of affordable housing. Since the introduction of self-financing in 2012, a HRA Business Plan has been developed to enable long term planning. The plan is supported by a financial model that uses budgetary information and projections to outline the expenditure required. The model is supported by an external consultant and the model is based on insight gained from other stock holding Local Authorities.

3.2 The main sources of income and expenditure include the following:

- **Income** - There are 3 main areas of income for the HRA, including: rents, service charges (from tenants and leaseholders) and grants (e.g. new developments).
- **Expenditure** - There are 4 main areas of financial expenditure: maintenance, service costs (e.g. grounds maintenance), staffing and the repayment of loans and associated loan interest.

3.3 The HRA Business Plan considers the impact of changes on the plans and the ability of the Council to respond (e.g. inflation). Whilst there is significant change in the operating environment, it is proposed that the HRA Business Plan will be formally reviewed annually.

3.4 The plan is based on a financial model that enables scenarios of investment to be projected and varied based on the decisions that could be taken. For example, this helps the decisions to be made based on an appropriate balance between investment in existing homes and the new build programme, as well as variations on the operating environment (e.g. interest rates).

3.5 The financial model is reviewed regularly to take account of any changes in the assumptions used in the financial model, together with any fluctuations in costs that may be experienced. One example is the impact that external legislative changes can have on the availability of revenue, such as the level of rents that can be charged. Elements such as these can be modelled and help provide an assessment of the impact of the decisions made by the Council.

3.6 The current Business Plan is set out in more detail for the first five years of the plan and there are key areas of activity outlined in this plan that will help to clarify the longer term position (e.g. an updated stock condition survey and the outcome of the Housing Transformation Improvement Programme- HTIP). As these areas of activity are completed, the plan will be updated to reflect this. The additional information will help to strengthen the Council's position and provide clarity on when decisions need to be made.

3.7 The Business Plan is reviewed annually in line with the Council's budget setting process, along with changes seen across the social housing sector. Recently there have been significant cost pressures in repairs and maintenance contracts due to increases in material and labour costs, along with additional building safety requirements. Reviewing the business plan annually during a period of change will help ensure the Council plans ahead for the future based on updated information. Quarterly checks on the plan's financial assumptions will be made because of the significant impact of any variations to these (e.g. maintenance cost inflation).

3.8 A review has been undertaken of charges relating to supporting people. The Business Plan reflects a move to full cost recovery for supported people charges over a 5 year period, sustaining valuable services to our tenants.

4. The Current Priorities

4.1 Within the current Corporate Plan and the work on the updated Housing Strategy, the priorities for the service are defined. The focus within the HRA Business Plan is on the financial consequences of the actions to be delivered.

4.2 There are a number of forthcoming developments within the housing service due to the changing environment in which the service operates. Decisions around responding to these challenges as well as continuing to improve the quality of homes provided and providing investment in new homes will need to be taken throughout the lifetime of this plan.

4.3 Given these forthcoming developments have been detailed within the Housing Strategy (2024 – 29), this financial plan has been linked to the commitments within the Strategy, under the following headings:

- To become an excellent social landlord, delivering services that meet the needs of our residents.
- Demonstrate dedication to tackling the climate emergency in Dacorum. Reducing energy consumption of our existing housing stock, and take steps to ensure that all new homes meet excellent thermal efficiency standards.
- Champion the provision of safe, warm and dry homes across the borough.
- Champion a culture of collaboration, both internally and with external stakeholders to deliver services and positive outcomes
- Seek to meet the diverse housing needs of everyone living in Dacorum

4.4 Similar to other Registered Providers of social housing, there are a number of challenges facing the service and some of these have financial consequences. The most significant of these are based around the costs associated with the service, in particular the inflationary pressures on the cost of the service and improving the portfolio of homes managed (e.g. inflationary pressure on staff costs, energy costs, maintenance costs, development costs and building safety measures).

5. To become an excellent social landlord, delivering services that meet the needs of our residents.

5.1 The budget has been set with current and emerging legislation in mind. The housing and property services must be future proofed to meet the demands from the Social Housing Regulatory Act which will introduce inspections from the Social Housing Regulator.

5.2 This framework and our own desire to improve services underpins our approach to delivering a housing service which will deliver the best service for our residents, and also how we will demonstrate our compliance with the Consumer Standards and Tenant Satisfaction Measures.

5.3 This means that finance has been made available for completing the housing transformation project and implementing the recommendations.

5.4 The Council is committed to the engagement of residents in delivering and improving the service. There are a number of areas where the Council is looking to improve the service, including:

- **Service Improvements –** The Housing Transformation and Improvement Programme (HTIP) will continue into 2024/2025 with the focus on transforming the service based around the needs and views of residents. Work is underway and completion of all the fundamental changes are anticipated in 2024/2025, with the new structure and support in place to deliver this activity on a continuing basis.

- **Estate Standards –** To improve the look and feel of estates' communal areas, the services to communal areas are being reviewed to deliver a standard that reflects both the needs of the area and feedback from residents. Work with teams across the Council includes: cleaning, grounds maintenance, fly tipping and pest control.

- **Neighbourhood Management Model –** the work of HTIP will identify the optimum operative model for service delivery. A neighbourhood management approach is required, which may result in the establishment increasing in this area. Work will be undertaken to see if equivalent savings can be made elsewhere, but there is likely an increased cost associated with improving performance.

- **Social Housing (Regulation) Act and the change in regulation -** Whilst the detail of the recommendations of the Social Housing White paper are understood and the Council is currently delivering many of these within the current service offering, there could be additional costs associated with demonstrating compliance or improvements against the Tenant Satisfaction Measures.

- **Productivity improvements –** To help utilise the existing resources and improve the value for money of the service, there are areas where productivity can be improved and a 2% reduction in costs or increase in income is assumed within the HRA Business Plan. The key areas that will be considered will include voids and occupancy rates where the performance can be improved.

- **Cost of living –** The increases in the cost of living have affected a number of households and the Council has taken the lead in helping to signpost and provide support. The impact of the changes in food and energy costs will be felt for some time and the Council will continue to review its approach to help tenants. The focus for the Council is to support residents with their tenancies and work with households where issues arise with the payment of rent. We aim to ensure that households are claiming all benefits to which they are entitled, managing their budget effectively and thereby avoiding a build-up of unmanageable debt.

- **Arrears and Bad Debt** – With the challenging economic climate and in particular where inflation is higher than wage increases, there is the potential for there to be an increase in the level of arrears. The level of provision for bad debt has been carefully assessed and reflected in the financial assumptions underlying the HRA Business Plan.

- **Service Charges** – The charges levied for services to tenants and leaseholders will need to cover the costs of the service and the cost of managing these. This will help ensure that the charges raised reflect the costs incurred and that the evidence is available to support this. For leaseholders this is particularly important and information on the planned investment on estates and blocks will need to be available to help leaseholders plan for the expected expenditure. The Council may also need to consider the existing range of payment options available for leaseholders to support payments, particularly if there are increases in maintenance costs.

- **Rent levels** – The rent increase for 2024/25 is currently modelled at 7.7%, in line with expectations set out on the Government's Rent Standard. This is factored into the HRA Business Plan, both in the short-term and the assumptions about rent increase levels against projected inflation rates.

6. Demonstrate dedication to tackling the climate emergency in Dacorum. Reducing energy consumption of our existing housing stock, and take steps to ensure that all new homes meet excellent thermal efficiency standards.

6.1 Improving current homes and responding to the need to retrofit the properties will be a significant financial challenge for both the Council and for residents.

6.2 As part of achieving this objective, the Business Plan incorporates investment aimed to ensure required HRA properties meet the Energy Performance Certificate standard of at least C by 2035. This represents additional capital investment in the Council's housing stock of £22.4m in the period to 2035.

6.3 A number of the decisions around the retrofitting of the properties will be driven by the performance of the assets, the cost of retrofitting and the current practicalities of doing so (including the availability of the technology and the companies to complete the work).

6.4 This area of activity and the funding required will become clearer as the information on stock condition becomes available. A key factor for the HRA Business Plan will be the availability of external funding from Central Government to support the retrofitting of the stock.

6.5 Our focus must be a firm commitment to deliver net zero carbon across all Council services by 2050 at the latest, with an aspiration for Housing and Property Services to achieve this earlier if budgets allow.

7. Champion the provision of safe, warm and dry homes across the borough.

7.1 A key focus for the Council is to focus on improving the homes that we manage and ensure that the feedback from residents shapes the homes we provide and meets their identified needs.

- **Safe Homes** – Following the tragedy of the Grenfell Tower fire, there has rightly been an increased focus on building safety. The Council has made effective progress and is able to demonstrate the approach to its management of assets. The HRA Business Plan reflects the expected future spend on maintaining this focus and to have the capacity to respond to changes in managing building safety.

- **Damp and mould cases –** The tragic case of Awaab Ishak has focused attention on the responsibility of Registered Providers to ensure that the homes they provide are well maintained and of a decent standard. The case has demonstrated the serious effects that having damp and mould in homes can have on people's health, and the Council has responded positively to reviewing the current approach and identifying where improvements can be made. The increased awareness of properties with damp and mould is likely to increase activity on resolving highlighted cases and the associated costs.
- **Asset Management –** To help review the performance of the Council's HRA assets, new stock condition surveys are being carried out. The new data will feed into the asset management strategy to create a plan of works required. We will consider the information in consultation with a range of stakeholders, including tenant led focus groups, intelligence gathered by our contractors, stock condition surveys and feedback from the Tenant Satisfaction Measures.
- **Change to the Decent Homes Standard (DHS) –** There is an expectation that there will be changes to the existing DHS to respond to increased focus on building safety. A new DHS would impact on the approach to investing in existing homes and is likely to impact the amount of funding required within the planned maintenance programme.
- **Investment** – The outputs of the stock condition surveys will also allow the Council to use an asset performance model to identify properties that should be retained in the long-term, as well as identifying properties which will be too expensive or unsustainable to manage and should be considered for disposal, refurbishment or redevelopment. Regenerating existing sites may provide the opportunity for additional homes and/or a mixture of tenures on the redeveloped sites. The Council will consider the models of delivery that support a sustainable financial position within the HRA and enable the required investment to be achieved.
- **New Repairs and Maintenance arrangements** - In 2014 the Council entered into a number of contracts for a 10-year period, for external service providers to deliver the repairs, cyclical maintenance and compliance works and planned improvement work to the Council's properties. The options for future delivery models are being explored, to ensure that the next set of arrangements offers value for money to tenants and leaseholders. There will be costs associated with the commissioning of the new long-term repairs and maintenance contracts, as well as maintaining the existing arrangements until the new contracts can begin. There are also cost pressures within the existing contract due to the inflationary pressures being seen across the housing maintenance sector, compounded by increased demand.

8. Champion a culture of collaboration, both internally and with external stakeholders to deliver services and positive outcomes

8.1 Where partnering or joint venture opportunities offer greater value for money, then they will be considered appropriately.

8.2 A new Registered Partner Development Forum has been established, where opportunities will be explored to work with others to increase the numbers of social housing properties within Decorum to assist meet the local housing need.

8.3 Internally, HTIP has assessed the most effective use of staff resources via the recommended Target Operating Model.

9. Seek to meet the diverse housing needs of everyone living in Dacorum

9.1 The Council is committed to building new homes and this remains a priority because of the consistent demand for housing and the need for it to be affordable. Where possible, we will seek to work with partners and consider different models of delivery to ensure the Council provides support to increasing the number of new affordable homes in the Borough.

9.2 The lack of affordable housing is a key driver for approaches to the Council for assistance and homelessness. The Council plays a key role in helping others to provide housing, as well as providing new homes itself. A key issue for residents is the need for affordable housing that enables people to sustain their tenancies in the long-term.

9.3 We will continue to explore a range of different delivery options in order to maximise the number of new council homes we are able to provide. Options include building on the Council's housing land, acquiring homes for sale, purchasing "off plan‟ from private sector developers, acquiring properties from private developers, and acquiring land for the purpose of building new Council Homes

9.4 There is short term capacity within the HRA Business Plan and the Council will consider the options available to increase capacity within the medium to long-term. These options include joint ventures with other organisations that will help secure investment in the area and to make best use of the Council's assets.

10. Governance and Delivery

10.1 The HRA business plan is a live document, which articulates the medium and long-term strategies for the management, maintenance, improvement and delivery of new homes. The Housing and Finance teams review the financial position of the service on a regular basis, as well as the HRA Business Plan's financial model. This is to ensure it reflects changes to the new build programme, the impact of external factors and any changes approved by the Council's Cabinet.

10.2 The HRA Business plan is presented to elected members on the Council's Housing and Communities Overview and Scrutiny Committee, before being presented to Full Council.

10.3 Residents (and in particular the Tenant and Leaseholder Committee (TLC)) are involved in significant elements of the plan's content and the direction of travel. The TLC also receive feedback on the progress with elements of the plan that have a resident focus.

10.4 Each year we use the Council's annual report to residents to publish the top line figures from the HRA business plan. This will help to keep our tenants informed about the delivery and offer information around value for money.

10.5 Any fundamental changes to the HRA Business Plan, either to the costs or the activity included will see stakeholders engaged in these discussions

11. Risk Management

11.1 Since 2012 the HRA has operated on a 'self-financing' basis with local authorities funding council housing from the income generated from rents and other charges. Although 'self-financing' has provided the Council with more flexibility, it has also has brought additional risk. Risks are collated and monitored via a risk register and are primarily concerned with threats to income and expenditure that would compromise the viability of the HRA Business Plan. These risks are reviewed and regularly updated.

11.2 Along with other Registered Providers of social housing, there are a number of risks which will impact upon the HRA Business Plan, of which the main risks include:

a) Cost of Living Increases

The potential impact of the increase in the cost of living could be significant on the number of households in arrears and levels of rent arrears could increase. As a result of this, it is likely that additional resources will be required in order to deal with debt recovery and additional support to help our tenants. A number of mitigations are in place to help support tenants such as debt advice and a joined up approach from the different organisations working locally.

As well as providing support, the Council will be using the data on payments and arrears to help support early intervention with households. As well as helping to reduce arrears, these mitigations will also help tenants to sustain their tenancies.

b) Impacts of National Housing Policies

The impact of a number of national policy changes, particularly the new Social Housing (Regulation) Act, are likely to impact on the service and may require additional resourcing.

c) Fire Risk on Council Tower Blocks and Other High Risk Buildings

The Grenfell Tower fire and subsequent Review of Building Regulation and Fire Safety bring a number of operational and financial risks. The costs of these will require some degree of re-prioritisation of the 30-year Business Plan. There are likely to be other impacts as result, such as impacts on the repairs budget due to additional work to communal areas; the market capacity/capability to respond to the scale of need nationally and possible inflation of costs; more intensive management of tower blocks and other high risk buildings may be required at a higher cost and further resilience within teams to respond to the volume of enquiries.

d) Interest Rate Risk

The HRA’s loan portfolio is made up of fixed rate loans. Any new borrowing required to support the HRA’s capital programme is likely to attract interest payments. Interest on this borrowing will be determined by current interest rates. Part of the role of treasury management is to manage the HRA’s exposure to interest rate fluctuation and the risk this brings.

e) Inflation Rate Risk

The HRA Business Plan makes an assumption about the inflation rate across the life of the plan. In the short-term the inflation rate reflects the recent changes experienced and mirrors the Bank of England projections.

If the assumed inflation rate were to change, this will have an impact upon the forecast income and costs into the HRA over the 30 years; however, the impact could be positive or negative depending on whether the actual inflation rate is higher or lower than the assumed inflation rate.

f) Repairs and Maintenance

Repairs and Maintenance risks which could impact on demand include: increased voids, stock deterioration rates, increasing expectations, changes in regulations post Grenfell, and changes to the maintenance provider.

g) Responding to Climate Change

Proposed building regulations, changes to the provision of gas in homes as well as higher thermal efficiency standards which are unsupported by additional external grant funding, would place additional burden on HRA resources available for elemental investment in homes (including new homes).

An increase in the frequency of severe weather events may require unplanned urgent investment in homes and disrupt the supply of homes.

h) Delivering a higher quality housing service

HTIP is reviewing the current service model. There is a need to ensure the service is future proofed in terms of staffing, systems and processes. It is possible that further investment will be required to ensure service delivery is at the required level.

i) Reputational Risk around the cost increases planned

There is a possibility of reduced satisfaction and challenge of the Council with costs increasing ahead of inflation. This is more acute in the Sheltered Schemes as the Council seeks to reverse the historical subsidy of the services provided in them. This will be felt less by the 54% of Sheltered tenants in receipt of housing benefit. The other factor that will be communicated with residents, is that there will be increased services delivered alongside the increases in rent and charges

12. Treasury Management Strategy

12.1 The treasury management strategy determines how the HRA Business Plan will be financed and considers the income and costs involved, as well as any changes in the expected or likely costs (e.g. inflation).

12.2 The level of borrowing for capital programmes covers the new build programmes and investment in the existing stock. The level of debt follows the level of investment made.

12.3 The total amount currently borrowed primarily reflects the amount of debt incurred with the HRA account was set up in 2012 (‘scheduled debt’). The Council incurs the loans through the Public Works Loan Board (PWLB).

12.4 A key issue for the HRA’s treasury management strategy is to ensure there are sufficient funds available to fund the day-to-day activities and repay the debt incurred, along with any conditions or dates associated with the debt.

12.5 Since 2022 interest rates have increased significantly from prior years. Current projections are that the rates will stabilise prior to potentially reducing during 2024. A reduction in interest rates would impact favourably should the Council need to take on additional borrowing, but would likely reduce the return on any cash balances invested. During 2022/23 and 2023/24 a combination of relatively high cash balances and high interest rate has made interest on investment a significant source of additional income for the HRA. Current rates of return are not expected to continue into the future and this additional income is view as providing temporary additional benefit for the HRA.

12.6 Based on the current projected income and expenditure, the HRA will remain balanced and fully funded. The priority is to ensure that the treasury management strategy reflects the priorities within the HRA Business Plan and that appropriate decisions are taken to support this. The level of financing will continue to be reviewed to support these aims and how the approach to treasury management can support these aims.

13. Stock Investment Requirement and Financing

13.1 The table below shows the projected capital spend requirement for the Council's housing stock to both improve and maintain it over the next 10 years.

13.2 All homes within the Council's new build programme that have been completed, started on site or have been approved are included in the plan. This business plan only has approved schemes built into it, and no aspirational ones.

13.3 The expenditure assumptions within the table includes the impact of inflation on the expected programme costs.

Table 1- HRA Stock Investment and Financing

Year Description	1 2023.24	2 2024.25	3 2025.26	4 2026.27	5 2027.28	6 2028.29	7 2029.30	8 2030.31	9 2031.32	10 2032.33	Total
Capital Expenditure	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Capital Maintenance	29,167	20,301	27,510	26,639	29,211	29,732	30,439	31,287	32,157	33,052	289,496
Decarbonisation	0	1,050	1,865	1,921	1,979	2,038	2,099	2,162	2,227	2,294	17,637
New Build	28,688	36,890	15,572	2,328	1,000	1,000	1,000	1,000	1,000	1,000	89,477
Total expenditure	57,855	58,241	44,947	30,888	32,190	32,770	33,539	34,449	35,385	36,346	396,610
Financing											
Capital Receipts, Reserves and Grants	(11,770)	(10,605)	(2,951)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(25,325)
Major Repairs Reserve	(17,715)	(14,244)	(11,887)	(12,541)	(11,564)	(12,132)	(9,278)	(9,680)	(6,595)	(6,525)	(112,161)
141 Receipts	(4,827)	(7,139)	(3,114)	(1,974)	(2,054)	(2,138)	(2,226)	(2,319)	(2,417)	(2,519)	(30,727)
Borrowing	(23,543)	(26,253)	(26,995)	(16,373)	(18,572)	(18,501)	(22,035)	(22,450)	(26,373)	(27,302)	(228,397)
Total financing	(57,855)	(58,241)	(44,947)	(30,888)	(32,190)	(32,770)	(33,539)	(34,449)	(35,385)	(36,346)	(396,610)
Net (over)/ under financing	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0

13.4 The HRA finances its capital programme through different sources. These include capital receipts, capital reserves, grants and borrowing. In recent years the Council has successfully secured Grant Funding from Homes England to support delivery of its new build schemes.

13.5 The HRA can borrow to finance its capital programme and not for any other reason. Borrowing assumed in the business plan reflects loan maturity of 40 years, with one fortieth of outstanding borrowing being set aside each year in reserves to repay loans on maturity. This means loans can be paid off in full after 40 years if that was the best option at that time. These changes have freed up more capacity within the new plan which will help support the aims within the HRA. This has the added benefit of allowing additional flexibility within the plan to smooth out any peaks and troughs in the profiled spend and can be amended as appropriate.

14. Financial Assumptions

14.1 The 30-year business plan has been based on the approved budget for 2023/24.

14.2 In order to plan the expenditure on the planned activity, assumptions have been made to provide the basis for the projections. These are set out in Table 2 below.

14.3 There are a number of risks that impact on the housing service and these are reported on and reviewed on a regular basis.

- Cost Inflation – and the impact on maintenance costs and development costs.
- Interest Rates – and the impact on savings and borrowings.
- Staff salaries – and the agreements made for the Council's employees (expected to be c.5%).
- Service costs – including any significant changes in costs, such as gas and electricity costs.
- Right to Buy sales – and any variations in the expected activity that impacts on the income to the HRA.

Table 2- Financial Assumptions in the HRA Business Plan

Item	Assumption
Current Debt (23.24)	£364m
Peak Debt	£862.79m in 2052.53
Minimum HRA Balance	Maintains 5% target
Major Repairs Reserve Balance	Utilised each year to fund debt and capital
Total Debt Repayments 2024/25 to 2035/36 inclusive	£114m scheduled debt
Rent Increases	Capped 7.7% increase for 2024/25 CPI + 1% for 2025/26 CPI (2%) for the remaining years throughout plan. New tenancies re-let at (social) formula rent.
Formula Rent	Increase of 7.7% in 24/25 and CPI + 1% in 24.25 and 2% beyond
Inflation- RPI	2024/25 6%, 2025/26 3.5% 3.0% for the remainder years throughout plan
Relet Rate	4% throughout model
Voids and Bad Debts	Voids: 0.95% of gross income Bad Debts: 0.79%
Interest Rates for new borrowing	4.7% in 24/25, redcuing to 3.7% 26/27 onwards
Efficiency Savings	Savings target of 2%pa of Supervision and Management for five years starting in 2025/26 (£376k a year)
Contribution to Bad Debt Provision	£500k per annum
Rent Flexibility	Rent Flexibility applied to an additional 210 units a year from 25/26
Supported Housing Charge	Additional charge included based on 5 year straight line
Total New Build Programme	£84.7m up to 2026/27
EPCC	EPCC included to 2035 - £18m
Right to Buy RTB Sales	Assumes 6 RTB sales a Quarter - 24 a year
Other Disposals	Includes provision for 12 non-RTB Sales in 24/25 and a further 12 in 25/26

15. Financial Analysis

15.1 The financial analysis within the HRA Business Plan is focussed on the areas which are subject to external factors and can have a significant impact on the financial impact on the agreed levels of activity.

15.2 When decisions are made which have a financial impact it is prudent to analyse the impact of this on the business plan, in particular if there changes to the balances and expenditure in specific years. This will help to demonstrate the impact of this and enables a focus on the long-term planning for the service.

15.3 Sensitivity analysis is of particular importance where there are changes in costs and in particular for the following areas:

- Maintenance Costs.
- Inflation and cost of living increases.
- Rent levels.
- Service Charge costs.
- Level and cost of new developments.
- Interest rates and the cost of borrowing.
- Staff costs

15.4 Detailed analysis through the HRA Business Plan's financial model has been used to understand the impact of changes to the above elements, and be used to demonstrate that this has been tested in the delivery of the presented plan.

15.5 Forecast HRA income and expenditure allows the HRA to meet: the cost of day to day management and repairs for our housing stock; manage interest charges; the depreciation charge that funds capital works through the major repairs reserve; and top up the funding for capital works through revenue contributions. A minimum balance has been set within this financial model to ensure the HRA working balance does not go below an agreed figure. This table shows the forecast net income/ expenditure on the HRA over the first 10 years of the business plan. It indicates that the HRA can remain balanced over the period projected.

Table 3 – HRA Revenue Income and Expenditure

Year	1	2	3	4	5	6	7	8	9	10	Total
Description	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	
Income	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Rental Income	(61,569)	(68,022)	(70,084)	(72,697)	(74,514)	(76,354)	(78,005)	(81,191)	(81,377)	(83,099)	**(746,913)**
Service charge income	(2,246)	(2,358)	(2,417)	(2,466)	(2,515)	(2,565)	(2,617)	(2,669)	(2,722)	(2,777)	**(25,352)**
Other Income	(1,088)	(1,142)	(1,171)	(1,194)	(1,218)	(1,243)	(1,267)	(1,293)	(1,319)	(1,345)	**(12,281)**
Total income	(64,903)	(71,522)	(73,673)	(76,357)	(78,248)	(80,162)	(81,889)	(85,153)	(85,418)	(87,221)	(784,545)
Expenditure											
Management	19,918	20,917	22,408	21,913	21,906	21,877	21,839	22,276	22,721	23,176	**218,951**
Bad debt provision	492	500	513	530	542	554	566	590	591	604	**5,482**
Responsive & Cyclical Repairs	19,684	19,077	20,446	20,994	21,570	22,191	23,016	23,796	24,456	25,133	**220,363**
Other revenue expenditure	178	187	192	196	199	203	208	212	216	220	**2,011**
Total expenditure	40,272	40,681	43,558	43,633	44,217	44,826	45,629	46,874	47,984	49,133	446,806
Capital financing costs											
Interest paid	11,267	11,670	12,198	12,722	13,229	13,727	14,277	14,854	15,487	16,102	**135,534**
Interest received	(2,042)	(213)	(226)	(258)	(227)	(214)	(276)	(327)	(384)	(430)	**(4,597)**
Depreciation	15,620	17,579	16,329	18,178	16,674	18,471	16,943	18,769	17,216	19,072	**174,850**
Capital financing costs	24,845	29,036	28,301	30,643	29,675	31,985	30,943	33,296	32,319	34,743	305,786
Appropriations											
Revenue contribution to/(from) reserves	(214)	1,806	1,814	2,081	4,356	3,352	5,317	4,984	5,115	3,345	**31,953**
Appropriations	-214	1,806	1,814	2,081	4,356	3,352	5,317	4,984	5,115	3,345	31,953
Net (income)/ expenditure	0	0	0	0	0	0	0	0	0	0	0

15.6 The HRA will maintain a minimum working balance reserve of 5% of turnover throughout the course of the business plan. This assumption is reflected in the reserve movements in Table 4 above.

Table 4 – HRA Working Balance

Year Description	1 2023.24	2 2024.25	3 2025.26	4 2026.27	5 2027.28	6 2028.29	7 2029.30	8 2030.31	9 2031.32	10 2032.33
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Closing working balance £000	3,058	4,863	6,327	7,508	10,555	12,133	15,214	17,411	19,178	18,515
Closing working balance as a % of turnover	5%	7%	9%	10%	13%	15%	19%	20%	22%	21%

15.7 Table 4 summarises the closing HRA working balance at the end of each year of the business plan. Post- year 10 of the business plan, the working balance reduces as funding is set aside to support the repayment of borrowing. This does not compromise the principle of a minimum working balance of 5% of turnover, which is maintained throughout the life of the business plan.

16. Conclusions.

16.1 This is an exciting time for DBC to made meaningful improvements to the lives of the residents living in our homes. There are some challenges ahead, but also an opportunity to futureproof our assets and deliver excellent resident focused services.

16.2 We cannot make all the improvements and investments we would like as the financial plan does not allow it because:

- The demand for services significantly exceeds our income and this is not sustainable
- Our income is based on rents, capped at levels set by the government
- We must produce a balanced budget by law. If we over-spend, we can fund this from reserves but this is not sustainable. HRA revenue reserve balances have reduced in recent years through use to finance the HRA capital programme and to meet revenue pressures.
- We need to build up our reserves to provide resilience for the future. Useable capital and revenue HRA reserves including the working balance totalled £7.6m at the end of 2022/23.
- We need an approach to housing provision with financial sustainability a well as customer need at its core, which will be reviewed year on year and adjusted as finances allow.
- The focus will be on protecting services and targeting them to make the most effective use of resources
- Other measures to restrict or defer works may also be necessary in the short term to deliver a balanced budget

16.3 We can however prioritise what we focus on in terms of income maximisation and cost reduction. There are a number of variables we have stress tested against the base financial plan.

These include:

Income Maximisation	Cost Reduction
Apply maximum rent increase allowed by government, currently assuming 7.7%	Less development or make it self-funding and potentially moving to a 'Dacorum Affordable' rent model

Transition supported housing charges to full cost recovery over 3, 5 or 7 years to limit impact on residents (the current plan assumes cost recovery over 5 years).	Potentially push back the improvement work to the stock to achieve EPC 'C' to 2050 and not 2035. However, the current plan assumes investment to achieve EPC 'C' standard across HRA stock by 2035.
Apply rent flexibility (higher rents on relets of general needs stock) linked to improved environmental performance across the stock. The current plan assumes this flexibility is applied to 210 units a year from 2025/26.	Demand management measures (reducing/removing non-essential expenditure on environmental and neighbourhood works) may also be required to achieve a balanced budget.
Dispose of high cost voids - Target to be set for 24/25 to achieve a balanced budget and contribute to reserves to ensure future financial resilience. The current plan assumes 12 disposals per annum in 2024/25 and 2025/26.	The HTIP will in the medium term lead to efficiencies in service delivery via a new structure and enhanced digital capabilities.

There is a need to apply as many of these as we can to achieve a sustainable position for the HRA business plan. Careful consideration has be given to the impact of the decisions on the residents.