

Committee Name and Date of Committee Meeting

Cabinet – 13 February 2023

Report Title

HRA Business Plan 2023-24

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the report

Ian Spicer, Strategic Director for Adult Care, Housing and Public Health

Report Author(s)

Paul Elliott, Acting Head of Housing Operational Services
01709 822494

Ward(s) Affected

Borough-Wide – all wards

Report Summary

The Housing Revenue Account (HRA) records all expenditure and income relating to the provision of Council housing and related services, and the Council is required to produce an HRA Business Plan setting out its investment priorities over a 30-year period.

Following the introduction of HRA self-financing in 2012, the Council was awarded control over its HRA in return for taking on a proportion of national housing debt.

The current Business Plan takes account of known costs for housing growth, housing management and repairs and maintenance. To date, as detailed in the Housing Development Report, a total of 530 homes are already completed or contracted for completion by March 2026. It is proposed a further £115.7m will be invested to deliver hundreds more Council homes by 2025-26. Over the short to medium term forecast, the Business Plan is operating at or around the minimum balance; however, this will increase to a surplus of £9.452m by Year 30 of the Plan.

This report provides a detailed technical overview of the current position and the reason for changes to the Business Plan. This report is to be considered alongside the proposed 2023-24 Rents, Service Charges and Budgets Report and the Housing Development Programme Report.

Recommendations

That Cabinet recommends to Council to: -

1. Approve the proposed 2023-24 Base Case Option 1 for the HRA Business Plan.
2. Review the Plan annually to provide an updated financial position.

List of Appendices Included

Appendix 1 HRA Operating Statement
Appendix 2 Summary of Modelled Business Plan Scenarios
Appendix 3 Equalities Assessment
Appendix 4 Carbon Impact Assessment

Background Papers

HRA Business Plan 2022-23
DCLG Guidance on Rents for Social Housing
Annual Housing Development Report to Cabinet

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

Yes

Exempt from the Press and Public

No

HRA Business Plan 2023-24

1. Background

- 1.1 This report sets out the proposals for the HRA Business Plan for 2023-24 onwards and as in previous years provides information on the positioning of the HRA Business Plan as a driver of housing growth to assist in meeting the Council's housing objectives. In essence, the overall approach is to make savings where it is feasible to do, so these can be invested in future new affordable housing and to position the Housing Service, so it is best placed to respond to ongoing inflationary pressures and future challenges as they arise.
- 1.2 Since the last update there have been significant policy changes that affect the Business Plan, specifically the introduction of a rent cap of 7% by Government to protect social housing tenants from larger increases in rent. This could have exceeded 11% if Councils had been permitted to follow the Government's existing rent setting formula.
- 1.3 The overall position remains challenging, particularly given the substantial inflationary pressures evident in costs increasing by over 11%, yet income will be restricted to an increase of 7% given the Government's rent cap. As a result of inflationary pressures, it is recommended (in the Rents and Charges Report) that rents increase in line with the proposed rent cap of 7% and service charges by 6% for the financial year 2023-24. An increase at this level is necessary to allow continued investment in housing growth, ensuring compliance with statutory functions, achieve Energy Performance Rating C across the housing stock by 2030, maintain the Decent Homes Standard and sustain current levels of investment in frontline services.
- 1.4 Performance remains strong in key areas of the business resulting in increased income collection and improved value for money for Council tenants. Over the short to medium term the Business Plan operating account is at or around the minimum balance; over the longer-term operating balance increase to £9.452m by Year 30 of the Plan.
- 1.5 The policy of Right to Buy and lifting the debt cap are somewhat contradictory as it means there is the potential for an ongoing reduction in cash flow to fund a potential increase in debt. This means the underlying business must continue to become more efficient and new build housing schemes must at least break even over the long term. This will ensure there are sufficient resources to service the debt to ensure long term viability of the Business Plan. The overarching strategy for the Business Plan is to promote growth rather than manage decline, going forward new housing growth projects must break even over the life of the Business Plan.

2. Key Issues

- 2.1 The Council currently owns circa 19,807 homes, 706 leasehold homes and 3,180 garages with a turnover from rents and other sources approaching £89.113m per annum (excluding the sale of new properties).

2.2 The overall financial strategy for the HRA is focused on: -

- Supporting more new affordable housing (£115.7m including grant income will be invested, subject to Cabinet approval of remaining projects).
- Continued investment to meet the Government's net zero carbon target of 2050 where we are able to lever in grant funding to assist with the costs.
- Increasing rents in line with the Government's rent cap of 7% and then subsequently in line with the Government's rent standard of CPI + 1% until 2025/2026 when increases revert to CPI only.
- Supporting delivery of the Council's Year Ahead Plan.
- Maintaining a sufficient level of balances, both as a contingency against risks and to ensure that investment can be sustained over the period of the Business Plan.
- Supporting tenants to maximise income and sustain their tenancy.
- Achieving and maintaining the Decent Homes Standard.
- Keeping tenants safe through robust management of landlord compliance.
- Tackling fuel poverty.
- Providing a customer focused and effective repairs service.
- Supporting housing and neighbourhood management.
- The long-term viability of the HRA Business Plan is maintained.
- No repayment of debt is made.

2.3 Financial Position of the HRA

2.3.1 The table below demonstrates the current financial position with a general revenue reserve balance forecast to be £11.813m, a forecast major repair reserve of £14.112m and a forecast 'One for One' Right to Buy receipt balance of £3.584m as at 1 April 2023. A summary of the proposed income and expenditure for 2023-24 is below:

Housing Revenue Account	Current Budget 2022/23	Proposed Budget 2023/24	Difference
	£'000	£'000	£'000
Expenditure	84,186	94,972	10,786
Income (including service charges)	-89,112	-96,701	7,589
Net Cost of Service	-4,926	-1,729	3,197
Interest Receivable	-7	-200	-193
Net Operating Expenditure	-4,933	-1,929	3,004
Revenue Contribution to Capital Outlay	2,896	1,929	-967
Transfer to Reserves	2,037	0	-2,037
Surplus/Deficit for the Year	0	0	0

2.3.2 Based on the 7% increase in dwelling rent income and an increase in service charges of 6%, the budgeted income of £96.701m is anticipated to be collected in 2023/24 and that this is reduced by £94.972m of budgeted expenditure, which represents the net cost of delivering the service.

2.3.3 As budgeted income is greater than the net cost of delivering the service, there is an overall net income of £1.929m to the service after interest received. The Council are using this to part-fund the Housing Growth Programme

2.4 HRA Business Plan 2023-24 Scenarios

2.4.1 The HRA Business Plan 2022-23 was developed against a very different financial landscape to that which the Council and our tenants now find themselves. The current approved HRA Business Plan assumes rent will follow the Government's Rent Standard for a further three years until 2024-25. Given the rate of inflation (11.1% as at October 2022) being far in excess of anything predicted in previous iterations of the HRA Business Plan and subsequent setting by Government of a 7% rent increase cap, the previous business planning assumptions are no longer valid.

2.4.2 As a result of the changes to the macro-economic environment alongside a near two-fold increase in the predicted cost of fuel supplying the Council's District Heating network from 2022-23 to 2023-24, a full review of HRA business planning assumptions have been made.

2.4.3 Two rent increase options have been modelled for business planning purposes and are detailed below. Both assume District Heating charges will increase to match the average annual bill under the Government's energy price cap from April 2023 of £3,000 and a 6% increase in service charges.

2.5 2022-23 Base Option 1 (recommended)

2.5.1 This assumes:

- Social rent will increase by 7% for 2023-24 and then increase by CPI + 1% for one year (in line with Government rent formula) then CPI only for the remainder of the plan. This increase is 4.1% less than under the Government's rent standard.
- This would generate £5.44m additional income in 2023-24 when compared to 2022-23 and £56.3m over the life of the HRA Business Plan.
- All re-lets, acquisitions and new builds will be let at formula rent.
- District Heating charges are increased to match the Government's proposed dual fuel price cap of £3,000 from April 2023. This would mean an average District Heating bill of £1,611 per year i.e., the same as other Council tenants average bill who have gas central heating.
- The Council could deliver 686 Council homes between 2022-23 and 2025-26 and a further 20 by 2026-27.
- No cuts to investment in the existing housing stock would be required so improvements to garage sites and environmental improvements to estates such as off-street parking, improvements to the street scene etc. would continue.
- No reduction to current build standards would be required i.e., the Council would continue to build to the National Space Standards meaning the average house size of 850 square feet and maintained zero carbon ready through installation of heat pumps etc.
- There would be a borrowing requirement of £24.8m.

- Total borrowing would peak at 358.443m.
- Service charges will increase by 6% in 2023-24 and then CPI for the rest of the plan.
- CPI has been refreshed to the latest forecasts by the Office for Budgetary Responsibility.
- Right to Buy sales reduce over the life of the plan. These reductions are staged as below:

Year	Number of Right to Buy's
1	254
2	206
3	223
4	227
5 onwards	25

- To accommodate the reduction in income as a result of RTB forecasts there will be a reduction of expenditure in proportion to RTB sales. This will be done by reducing expenditure in supervision and management by 50% and repairs and maintenance by 75% for each property taken out of the asset data base through RTB sales. The Business Plan model only includes housing growth activity up to year 4 to replace properties lost through RTB Sales. Therefore, the RTB sales are reduced to 25 per year from Year 5 of the plan for modelling purposes. If the value remained at a similar level in the BP model to years 4-5 it would adversely affect the plan.
- Repairs and maintenance revenue expenditure will remain as in the 2021-22 HRA Business Plan for remainder of the Plan.
- Investment in Capital works (excluding housing growth) will be relatively unchanged at £1,200.332m (including inflation) following an increase of £157m over the life of the Plan in 2019-20.
- Ongoing investment of £1.6m per year will be made enhancing Housing support services contained in the General Fund.
- Bad debt provision of 1.2% per annum.
- Void loss and allowance of 1.3%.

2.6 **2022-23 Base Option 2**

2.6.1 All assumptions are as in Base Option 1, with the exception of the below:

- Rent increase of 5%. This increase is 6.1% less than under the Government rent standard and 2% below the rent cap.
- This would generate £3.864m additional income in 2023-24 when compared to 2022-23.

- The Council could deliver 686 Council homes between 2022-23 and 2025-26 and a further 20 by 2026-27.
- To deliver the Council homes, there would have to be irreversible cuts of £1m per year from capital investment into the existing housing stock. This would mean completing statutory works only such as work related to landlord compliance and Decent Homes. Non statutory works would be reduced such as no longer undertaking improvements to garage sites and environmental improvements to estates. Works such as off-street parking, improvements to the street scene etc. would no longer be affordable. It is likely that this will lead to increased dissatisfaction and complaints from residents as areas look more rundown.
- In addition, the current new build specification and space standards would have to be reduced to save circa £18k per property (£5.288m overall) from build costs. This would mean reducing the average house size by circa 100 square feet to circa 750 square feet. Properties would also no longer be built to be zero carbon ready.
- If the Council continued to build to the current standard for its homes, only 546 could be affordably delivered, as opposed to 686.
- Borrowing of £21.5m.
- Total borrowing would peak at £355.141m.

This means there are irreversible cuts to investment in estates across the borough and a reduction in build standards. For this reason, this option is not recommended.

2.7 Reason for choosing Base Case Option 1

2.7.1 The recommended Base Case Option 1 results in an Operating Surplus at Year 30 of £9.452m and ensures expenditure is affordable throughout the life of the Business Plan.

Base Case Option 1 has been chosen because it provides opportunities to contribute to the housing growth agenda and continues investment maintaining the estate environment throughout the borough. It also maintains existing build standards for the housing growth programme. Furthermore, it sets out the Council's ambition to build new homes and in doing so creates a long-term new homes programme allowing for longer term planning and greater buying power. Whilst the 2023-24 Business Plan only provides for a housing growth programme for the next four years it is intended to explore further opportunities to extend the housing growth programme post 2026 in future iterations of plan.

2.7.2 Key assumptions include:

- There is a borrowing requirement of £24.8m.
- Debt will not be repaid over the life of the plan.
- Ongoing investment of £1.6m per year will be made enhancing Housing support services contained in the General Fund.
- Expenditure is reduced proportionately to stock size, so mitigating the effect of increasing Right to Buys. There will be a net reduction in stock as Right to Buy sales are forecast to continue after the end of the current housing growth plan.

- Rent increases are kept in line with CPI following expiry of the Government's rent cap of 7% in 2023-24 and the social rent formula (CPI + 1%) in 2024-25.
- District Heating charges are increased to 20.68 pence per kwh meaning an average bill of £1,611.

2.7.3 Impact on the Housing Growth agenda

The Council in recent years has been very successful in using HRA land and finances to build and strategically acquire new Council homes. Rother Living is the Council's brand for new build homes, and this has become a well-known and trusted name for building high quality homes for affordable rent, shared ownership and outright sale.

2.7.4 The key achievements of the housing growth programme so far include:

- Completed 106 of the 171 homes to be delivered in total from the Council's Town Centre Trilogy Collection housing schemes.
- 180 homes delivered as a result of council intervention in 2021/22 despite significant ongoing and evolving economic challenges.
- Concluded the construction of 14 new council bungalows in Treeton and Ravenfield.
- Secured contracts to purchase 104 new Council and shared ownership homes from private developers and taken handover of new homes in Aston, Dinnington, Thorpe Hesley and Treeton.

The proposed 2023-24 Business Plan continues to support delivery of multiple housing schemes throughout the borough across a variety of tenures as detailed below:

Status	Financial Year	Tenure			Grand Total
		Social	AF	SO	
	2017-18	45	0	0	45
	2018-19	4	0	0	4
	2019-20	0	14	1	15
	2020-21	6	108	35	149
	2021-22	3	18	32	53
Delivered		58	140	68	266
	2022-23	25	70	23	118
	2023-24	76	61	40	177
	2024-25	53	143	16	212
	2025-26	35	141	3	179
	2026-27	10	0	4	14
	2027-28	6	0	0	6
	2028-29	0	0	0	0
To be delivered		205	415	86	706
Total all years		263	555	154	972

2.7.5 The latest modelling also takes into consideration the cost pressures facing the housing development industry which mean that, for the same amount of investment today and in the future, this is likely to return fewer properties like-for-like. These pressures include:

- General inflation; and
- Supply chain shortages and cost increases associated with the Covid-19 pandemic and EU exit.

2.7.6 All costs remain projections as actuals will be highly dependent on the nature of the sites, the construction method, specifications and property types. A cautious approach is therefore employed toward cost estimates.

2.7.7 Any deviation from the Government's Rent Cap, with regard to the Council's local rent setting approach, would further reduce income to the HRA and hinder the Council's ability to invest in its priorities, deliver housing growth and invest in environmental improvements to estates.

The benefits of the Council developing and enabling new housing include:

- Generation of income to the General Fund via Council tax.
- Ensuring new homes meet changing local needs, particularly the needs of older people, people with support needs and single person households.
- Regenerating neighbourhoods.
- Wider economic benefits including employment and training opportunities.
- Access to grant funding from Homes England and the South Yorkshire Mayoral Combined Authority (SYMCA).
- Replacement of Council homes sold through the Right to Buy.
- Improved quality and energy efficiency of housing stock, which improves health and wellbeing and reduces fuel poverty.

The priorities in the housing growth programme over the remainder of the programme period are:

- Complete the Rotherham Town Centre Trilogy Collection housing programme.
- Continue to build bungalows and other accessible accommodation to enable older people and people with support needs to live independently.
- Complement the Council's build programme through the continued purchase of affordable homes from private developers.
- Deliver new, high quality affordable homes on Council-owned sites in East Herringthorpe, Thrybergh, Eastwood, Canklow and Harthill.
- Pursue opportunities to accelerate delivery of more new Council homes through to March 2026.

2.8 **Impact on Revenue Repairs and Maintenance**

2.8.1 As a result of approximately £55.6m of investment in existing stock, its condition is at or beyond the Decent Homes Standard. A decision was taken in 2018-19 to reallocate investment from this area to further increase the Council new build programme. This decision has been reviewed for this iteration of the Business Plan and the re-allocation of resources to prioritise housing growth is maintained. This means that additional housing assets could be created, generating greater rental income and meeting housing need in the borough.

Following the re-procurement of the repairs and maintenance contract new pricing suggests the previous budget savings target of 10% will be achieved over the longer term. As a result, the previous budget reductions to repairs and maintenance have been retained in the updated 2023-24 Business Plan. It was originally the intention to increase funding by a further £1.2m from Year 5 onwards but given efficiency savings made, this will no longer be required.

2.9 Impact on Capital Investment

2.9.1 During 2018-19 there was a comprehensive review of the capital investment programme to determine the work needed in the Council's housing stock over the next 30 years. This resulted in an increasing capital investment from £577m to £734m (current prices) over the life of the Plan. As a result, no further updates to the long-term investment requirements have been included in the 2023-24 Business Plan although it is recognised that a detailed review of the 30-year asset management plan is required to inform future Business Plans. The short-term investment has been reviewed and matched to the approved 3-year Capital Programme. The same principles have been used where peaks in demand in some years has meant smoothing of the programme by delaying some stock investment and replacements to later years as necessary. This will not affect the Council's ability to meet the Decent Homes Standard or the Government's target that Council homes meet a minimum Energy Performance Certification rating of C by 2030.

2.10 The transition to Net Zero Carbon

2.10.1 The current iteration of the Business Plan does not take account of any costs associated with the Council achieving net zero carbon by 2050. The Business Plan is currently focused on the importance of continuing investment in new affordable homes and supporting regeneration of the Town Centre alongside maintaining commitments to housing management and stock investment.

2.9.2 Given the declaration of a 'climate emergency' in autumn 2020 and the subsequent activity developing the first steps towards a zero-carbon future for Rotherham housing, it is only right that the refresh of the HRA Business Plan takes account of the likely costs associated with delivering this ambition.

2.9.3 Based on the likely costs of £585m required for the Council to achieve its aspiration of all Council housing being net zero carbon, this is unaffordable based upon projected income and the funding requirements of other investment priorities such as day to day housing management, housing growth, and maintaining properties to a Decent Homes Standard through kitchen and bathroom replacements etc.

2.9.4 As a result, this means that drawing in external funding to progress net zero commitments becomes even more significant. Participation in national grant funding schemes will be prioritised. The Council will continue to lobby government for a national funding strategy.

2.10 **Impact on our tenants**

2.10.1 There are 16,227 tenancies in receipt of Housing Benefit/ Universal Credit who would not be directly affected by an increase in rent and circa 3,580 tenancies that would be directly affected by a rent increase, as they would pay themselves from their household income. The tenants in receipt of benefit (Housing Benefit or UC) who would see their benefit entitlement adjusted to meet an increase in rent are.

- 8,673 households who are on Universal Credit
- 4,577 households who are on full Housing Benefit entitlement
- 2,977 households who are on part Housing Benefit entitlement

2.11 **Affordability**

2.11.1 An affordability analysis shows that based on a 5% or 7% rent increase those aged under 25's and on benefits would struggle to meet housing affordability tests, given working age benefits are lower for this age group. Irrespective of rent increase the affordability challenge is the same as it is the non-housing element that is less. This is an issue which has existed for a number of years. Other age groups would meet affordability tests assuming they only spent on essential items. Affordability modelling has been undertaken using Policy in Practice software. This software is used to assess all new tenant's ability to afford properties they have been offered, prior to signing a tenancy agreement.

2.11.2 Given average arrears balances have reduced significantly over the past 5 years the impact of Universal Credit has been minimal. That said, a tenant in receipt of Universal Credit will still have a higher arrears balance than other tenants. As a result, the Council's Tenancy Support Team continue to work intensively with tenants on Universal Credit to mitigate any potential arrears.

2.12 **Supporting tenants with Financial Pressures**

2.12.1 A key priority is the ongoing work mitigating the effects of the cost-of-living crisis. The Council is committed to supporting tenants and will do this through continuing early intervention and arrears prevention. Work will continue to support tenants to pay their rent, including offering additional support to vulnerable tenants to help with money, benefits and debt advice.

2.12.2 The Council and its partners provide a comprehensive package of support to tenants and residents facing crisis. Current support offered in Rotherham includes:

- RMBC Tenancy Support Service – provides practical support on all tenancy related issues including debt and budgeting. The team have access to funds to support people in crisis i.e., no gas/ electric. Tenants must be actively working with the team to receive financial benefit.
- Age UK Age Related Benefit Advisory Service – provide support and guidance to residents aged 65 and over to claim all age-related benefits to

maximise income. They also provide holistic support in other areas of concern i.e., fuel poverty/ home insulation etc.

- Council's Discretionary Housing Payment Fund (DHP Fund) - residents with rent arrears can apply to the Fund for assistance to clear or reduce their debt, subject to qualifying criteria.
- European Social Fund/Council Pathways and Inspire Employment Projects – provide support and assistance to people looking to access training and employment in order to better their financial situation. The team also have access to funding to help people in crisis i.e., no food/ heating. Participants must be actively working with the team to receive financial benefit.
- Council's Household Support Fund – supporting vulnerable people through the provision of food vouchers, one-off grants of £400 to help with energy costs and financial support to buy essential items such as cookers/fridge freezers etc.
- Council's Advocacy and Appeals Team – providing people with practical support to maximise their income by claiming any benefits they are entitled to. The Team can assist with application and with mandatory reconsideration and appeals/ tribunals.
- Foodbanks – provided through Liberty Church, the Trussell Trust and Rotherham Foodbank. Vulnerable tenants can be supported through the provision of free food parcels in times of crisis.
- Social Supermarket – Rotherham Minster and VAR support residents through the provision of a social supermarket that allows members to pay £3 a week for a maximum of 3 months to allow them to shop in their store. This service transitions people from foodbank dependency and promotes empowerment through teaching budgeting skills.
- Rotherfed 'Making your money go further' project – this project works with communities to deliver bespoke advice on how tenants and residents can save money and manage on a limited income.
- Citizens Advice Rotherham – providing advice and guidance to all residents on money management and debt solutions, enabling clients to resolve the cycle of debt.

2.13 Investment in other Council Housing Services

- 2.13.1 An ongoing investment of £1.6m per year will be maintained in enhancing Housing Support Services contained in the General Fund over the period. In addition, it is proposed to undertake further work across Housing and Adult Social Care to help customers to maintain independence within their own home for as long as possible.

2.14 **Impact of the proposed scenario**

2.14.1 The impact of the changes to the Business Plan are summarised below: -

- There will be a further £115.7m spent on housing growth over the next five years.
- There will be a borrowing requirement of £24.8m over the next 30 years.
- The General Fund will receive continued funding for HRA support services of £1.6m per year for the life of the plan.
- There will be surpluses of £9.452m by Year 30.

3. **Options considered and recommended proposal**

3.1 A series of options were considered as part of scenario modelling, and these are detailed at Appendix 2 of the report. Details of the HRA Business Plan Base Case Option 1 (preferred) are set out in the main body of the report and a copy of the 30 Year Operating statement is attached at Appendix 1. This will result in the HRA having an Operating Surplus of £9.452m by Year 30 and provide support to the housing growth programme and the Council's General Fund position.

4. **Consultation on proposal**

4.1 The Council has a strong track record for tenant engagement and has recently been recognised by the Tenant Participation Advisory Service (TPAS) for the excellent framework that is in place to consult and work with tenants on how services are developed and improved.

4.2 The HRA Business Plan has increased investment in Tenant Involvement Services and increased capacity in the housing management teams. It is the intention to undertake a tenant perception survey in 2023-24 reflecting the new customers standards recently published by the Regulator of Social Housing.

4.3 Members have been consulted on various aspects of the Housing Revenue Account Business Plan. Seminars and Workshops have been held on Housing Growth, Repairs and Maintenance and Housing Policy updates including the Cost-of-Living Crisis. This has helped inform the proposed Business Plan.

4.4 The HRA Business Plan also supports housing growth, which is important for a wide range of reasons including supporting people's health, wellbeing and independence, contributing to Rotherham's economic growth through employment and training opportunities / investment in local businesses, and helping to meet the increasing demand for affordable housing. Targets have been set for the number of homes delivered as a result of council intervention and delivery continues on an upward trend, with 180 recorded for 2021-22.

5. **Timetable and Accountability for Implementing this Decision**

5.1 The table below shows the approval timeline:

Date	Meeting
13/02/23	Cabinet decision making meeting
01/03/23	Council
02/03/23	Rent and service charge letters posted

6. **Financial and Procurement Advice and Implications**

6.1 In developing the HRA Business Plan the CIPFA / CIH code of practice for a self- financed housing revenue account; the Financial Viability principle has been considered which states that: -

- The housing authority has arrangements in place to monitor the viability of the housing business and take appropriate actions to maintain viability.

6.2 The HRA Business Plan is reviewed and updated annually to take account of changes to all income streams and the revenue and capital costs of managing and maintaining HRA properties and tenancies. It also considers Capital investment in new build and housing acquisitions for affordability.

6.3 The HRA Business Plan includes assumptions on rent levels as dictated by legislation. The Government has set a 7% cap on rent increases in 2023/23 for social housing. The HRA Business Plan assumes that rents will be increased by 7% in 2023/24 by CPI plus 1% for a year from April 2024 and increases by CPI thereafter. As the HRA is self-financing, the rental income stream makes up most of the funding available to the HRA.

6.4 The HRA operating balance is forecast to reduce to the minimum sustainable level for Years 3-5 in the Business Plan. The minimum balance is £3.9m in Year 1 and uplifted by CPI annually and is the minimum level required to manage financial risk. The forecast is revised each year for the actual income and expenditure incurred.

6.5 Due to the anticipated level of the operating balance future investment in Housing Growth will need to at least breakeven (generate sufficient net revenue income to fund the cost of borrowing). This will support the overarching strategy for the Business Plan to promote growth rather than manage decline. This will be managed via existing capital governance routes.

6.6 The forecast level and cost of borrowing is significant, but the Business Plan modelling demonstrates that this is affordable within the current assumptions for Option 1.

6.7 Option 2 results in a requirement to reduce capital investment in existing housing stock by £1m per annum. A reduction in the space standards of new build properties would be required to reduce build costs.

6.8 There are no direct procurement implications arising from this report.

7. Legal Advice and Implications

7.1 It is vital that the Council has and maintains a robust HRA Business Plan, which is subject to regular review and scrutiny to enable the Council to comply with the duties placed upon it. The HRA provisions in the Local Government and Housing Act 1989 include the duty in January or February each year to formulate proposals relating to HRA income and expenditure. Those proposals are contained in this report.

7.2 The HRA specifically accounts for revenue expenditure and income relating to the Council's own housing stock and is ring-fenced from the Council's General Fund as required by the Local Government and Housing Act 1989, which specifies the items that can be charged and credited to it. The account must include all costs and income relating to the Council's landlord role. The Council has a legal duty to budget to ensure the account remains solvent and to review the account throughout the year.

7.3 Under Section 24 of the Housing Act 1985 (the 1985 Act) the Council has a broad discretion in setting such reasonable rents and other charges as it may determine, and the Council must from time-to-time review rents and make such changes as circumstances may require.

7.4 The duty to review rents and make changes is itself subject to the requirements for notice of a variation set out in Section 103 of the 1985 Act. This will follow any Council decision following a recommendation from Cabinet.

7.5 Local authorities must set rents from 1 April 2020 in accordance with the Governance Policy Statement on Rents for Social Housing 2019. The Government has recently adjusted this policy. For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, the CPI plus 1 percentage point limit on annual rent increases is replaced by a 7% 'ceiling'. This means that, in that year, the Council may increase rents by up to 7%. This restriction applies to both social rent and affordable rent homes, with the exception of supported housing. However, it does not affect the calculation of the maximum initial rent when properties are first let or subsequently re-let.

8. Human Resources Advice and Implications

8.1 There are no immediate human resource implications.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no implications for CYPS or Vulnerable Adults.

10. Equalities and Human Rights Advice and Implications

10.1 The Local Authority is aware of its duties under the Equality Act 2010 to promote equality, diversity, cohesion and integration and has ensured that the HRA Business Plan is compliant with that duty. An initial equalities screening has

been carried out to assess the impact of these proposals and due to the scale of investment and nature of households affected the Council has completed an Equality Impact Assessment for this plan. This will ensure the Council continues to promote positive impact and reduce or remove negative impact as a result of the proposed investments. An Equalities Analysis is attached at Appendix 3.

11. Implications for CO2 Emissions and Climate Change

11.1 The HRA Business Plan sets out the proposed value of investment in the housing service for the next 30 years. Given the Government's commitment for the UK to achieve net zero carbon by 2050 this will require substantial investment in the Council's housing stock over the life of the Business Plan. Initial estimates put the cost of this at circa £585m which represents a formidable challenge to the HRA. As a result, this means that drawing in external funding to progress net zero commitments becomes even more significant. Participation in national grant funding schemes will be prioritised.

12. Implications for Partners

12.1 This proposal is about making effective use of Council assets and managing them to best effect. It contributes to the sustainable neighbourhood's agenda by addressing future investment needs and will help deliver a better quality of affordable housing to the community.

13. Risks and Mitigation

13.1 Self-financing involved a significant transfer of risk from Central Government to the Council. Variables such as interest rates, cost inflation, number of homes owned etc. are all risks managed by the Council.

13.2 Any adverse changes in rental income (for example as a result of welfare reform or changes in the number of Right to Buy sales) must be managed locally.

13.3 The risk management plan follows the Council's risk management methodology and approach. It includes a clear description of the risk, an assessment of probability and impact of the risk, a summary of controls and information on when the risk will be reviewed.

13.4 Significant risks will be placed on the Corporate Risk Register and risk issues will be escalated as necessary.

13.5 The Council has risk-based reserves to ensure that HRA reserves are maintained at the appropriate level. The reserves will be maintained at the appropriate level to fund potential future financial pressures from risks such as welfare reform and investment requirements.

14. Accountable Officers

Ian Spicer, Strategic Director for Adult Care, Housing and Public Health
James Clark, Assistant Director of Housing

Approvals obtained on behalf of Statutory Officers: -

	Named Officer	Date
Chief Executive	Sharon Kemp	30/01/2023
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	26/01/2023
Assistant Director, Legal Services (Monitoring Officer)	Phil Horsfield	26/01/2023

Report Author: Paul Elliott, Acting Head of Housing Operational Services
01709 822494

This report is published on the Council's [website](#).