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To: Executive
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Status: Non Key Decision
Ward(s) Affected: All
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Lead Executive Member: Cllr Chris Pearson, Lead Executive Member for Housing, Health and Culture
Lead Officer: June Rothwell, Head of Operational Services

Title: Housing Revenue Account (HRA) Business Plan - Draft

Summary:

The Selby District Corporate Plan priority to 'enjoy life' identified the need to make sure a suitable supply of homes is available to those who need them. A key part of this is ensuring that the Council has a financially viable Housing Revenue Account Business Plan, to both invest in their current stock, as well as increase overall housing supply in the district.

A draft version of the HRA Business Plan and its accompanying Action Plan 2020-2025 is therefore attached. This plan will detail our ambitions over the next five years and beyond as to how we manage and look to improve our housing stock, ensuring as much as possible that the needs of our residents are met now and in the future.

Recommendations:

Executive Members approve the draft HRA Business Plan 2020-2025 for further consultation with key stakeholders.

Reasons for recommendation:

Approving the draft plan for consultation with key stakeholders will allow the Council to further progress with implementation of the new HRA Business Plan 2020-2025.

1 Introduction and background

- 1.1** The HRA Business Plan provides tenants, the Council, and its members with priorities and direction as to how it will manage Council owned social housing in the Selby District. The plan outlines key responsibilities for the Council and sets out priorities for spending. The plan takes into account the views of our tenants and forms a key element of our over-arching Housing Strategy; including an

understanding of the demand versus resource of social housing, as well as reviewing our long-term financial position.

- 1.2** HRA self-financing commenced in April 2012, which allowed local housing authorities to fully retain the money they receive in rent in return for taking on a proportion of national social housing debt. This allows them to plan and provide services to their current and future tenants. Although this system provides the freedom to develop and deliver a less constrained vision for council housing, it should be done in a prudent, viable and measured way with a number of checks and balances built into the system.
- 1.3** The Council's plan is consequently to drive the development of more new homes and for all housing in the district to be of a quality, type and size which meets the needs of local communities. Its new objectives are:
- Objective 1:** To ensure good quality housing within the district which helps meet the needs of our local community.
- Objective 2:** To provide a first rate housing management service which makes the best use of our existing stock.
- Objective 3:** To deliver a financially sustainable service which demonstrates value for money and ensures that investment is targeted to council priorities.

2 The Report

Current Position

- 2.1** The Council's previous HRA Business Plan commenced in 2012 and looked to make improvements into 2017 and beyond. However, the introduction of several Government policies have impacted on the HRA; namely the introduction of various welfare reforms (including the spare room subsidy, Local Housing Allowance and Universal Credit), the reinvigoration of the Right to Buy scheme, Social Rent reductions and more recently the Government's Green Paper 'A New Deal for Social Housing.' Therefore, whilst much has been achieved in the last seven years, there is also an understanding that more can be done. Recent announcements including lifting of the HRA borrowing cap, Social Rent increases from 2020 and potential changes to the allocation of capital receipts all provide local housing authorities with real opportunity to not only maintain, but invest in social housing.
- 2.2** The draft HRA Business Plan will therefore demonstrate that the Council can maintain its assets and invest in new provisions, and at the same time deliver a high level of service to current and future tenants and leaseholders. The business plan will illustrate:
- The council's legal responsibilities as a social landlord.
 - National, regional and local housing priorities.
 - How the management of Selby's housing stock can support the delivery of wider strategic priorities.
 - Local demand for affordable housing.
 - Tenant and leaseholder needs and aspirations.
 - Long term forecasts of income and spending and resources available to support investment plans.

Three new objectives

- 2.3 Objective 1:** To ensure good quality housing within the district which helps meet the needs of our local community; we will:
- Provide significant investment for current housing stock, not only meeting but surpassing the Decent Homes Standard.
 - Improve energy efficiency for our tenants, especially in our off-gas properties, reducing the likelihood of fuel poverty occurring.
 - Ensure the Council has accurate and increased stock records to inform both responsive repairs and planned investment programmes.
 - Acknowledge and try to meet the needs of our rural residents and those who may require specialist and/or supported accommodation.
- 2.4 Objective 2:** To provide a first rate housing management service which makes the best use of our existing stock; we will:
- Build on the good work already completed in Tenant Participation and encourage an increased relationship with our tenants and leaseholders.
 - Improve our responsive repair service by utilising new IT provisions, gathering feedback and using it to improve and shape service delivery.
 - Increase fire safety in communal areas to ensure they are both secure and attractive places for residents to experience.
 - Meet local need by prioritising those with local connection for new build affordable housing, and reduce empty homes within the community to increase affordable accommodation in local areas.
- 2.5 Objective 3:** Deliver a financially sustainable service which demonstrates value for money and ensures that investment is targeted to council priorities; we will:
- Work with the Housing Trust to deliver increased affordable housing throughout the district via our three delivery pillars.
 - Commit to one-for-one replacement of properties lost via Right to Buy and work to replace those already lost but not yet replaced.
 - Ensure that housing need takes precedence when deciding the location, property and tenure type of new housing schemes.
 - Reduce void times in our properties to accelerate access to affordable housing and increase rental income to the HRA.

Financing the plan

- 2.6** The Housing Revenue Account aims to provide the financial environment to support our landlord responsibilities over the medium and longer term, combined with strategic objectives for our housing service. It is a 'ring-fenced' account which means that all the costs associated with maintaining our homes, financing improvement works, servicing debt and running the service, are met from the rental and other associated income generated from the houses and garages we let. Importantly, the Government has confirmed that from 2020/21, social housing landlords will be permitted to increase rents by up to Consumer Price Index (CPI) plus 1% for a minimum of five years. This is acknowledged within our 30 year financial forecast, with increased capital to reinvest back into our stock.
- 2.7** The business plan model also assumes that borrowing is repaid at the earliest opportunity in order to demonstrate viability. In our previous HRA Business

Plan, and maintained as part of this draft plan, it was established that all loans would be repaid over a 30 year period if financially viable to do so. The financial forecast included within the draft shows that, based on key assumptions, there are sufficient resources over the next 30 years of the plan to:

- Maintain a viable housing management service.
- Not only maintain but improve on the Decent Homes Standard in our properties.
- Carry out necessary planned repairs to our housing stock.
- Invest in new properties as part of a Housing Development Plan (per individual finance arrangements, including accessing Homes England grant funding and Section 106 commuted sums).

- 2.8** Of course, the balance between repaying our debts, versus maintain and/or extending our housing stock, will be an on-going feature of the HRA Business Plan and will require careful consideration as the impacts of emerging policy and practice are felt. With this in mind, it is expected that the plan be regularly reviewed, providing the ability to utilise 'flexible levers' by either accelerating programme delivery if rental income increases above that forecasted, or slowing down debt repayment if additional funds are required. This gives us greater flexibility in regards to longer-term financial planning than was possible under the previous subsidy system.

Consultation and next steps

- 2.9** Before finalising the draft plan a roundtable event was offered to all Council tenants and leaseholders, which took place in January 2019. This event allowed for a free exchange of ideas between housing staff, tenants and leaseholders, and gathered feedback on various proposed ideas and themes to be included within the draft HRA Business Plan. In order to maximise engagement, drop-in sessions were also held in our Community Centres to allow as many people as possible the opportunity to share their experiences and provide feedback, which has subsequently helped shape the draft plan.
- 2.10** The draft plan will be submitted for Executive approval in September 2019. Further consultation with tenants and additional stakeholders will take place shortly after and a final report submitted for Executive approval in December 2019. It will subsequently be submitted for full Council in-line with the budget process. It is the Council's intention that the final HRA Business Plan is implemented in April 2020.

Key Deliverables

- 2.11** These include:
- A Housing Revenue Account Business Plan: a strategic plan in line with our corporate plan to 2025. The plan will be a live, rolling plan that will be reviewed and updated every year. The plan will clarify accountability and support future decision making.
 - A 30 year financial forecast for the HRA which will include key assumptions to ensure a sustainable financial model.
 - Implementation of the HRA Action Plan which will include detailed priorities and sub-tasks.

- A 3 year Investment plan, within the resources allocated through the Medium Term Financial Strategy, will inform the annual budget proposals (approved by Council). The investment plan will be aimed at supporting the Council's planned programme of works, enabling better planning and greater efficiencies.
- A plan that has had input from all key stakeholders and a plan where tenants are at the forefront.

3 Implications

3.1 Legal Implications

Section 74 of the Local Government and Housing Act 1989 requires the local housing authority to keep a separate HRA and Section 76 of the same Act provides that they must prevent a debit balance in the HRA.

3.2 Financial Implications

The Medium Term Financial Strategy indicates that the HRA is in a sustainable position over the next 10 years, but potential risks to its viability are considered within the draft plan. Key assumptions include:

- 2019/20 rents decrease in-line with government policy (final year of 1% decrease). From 2020/21, new rent policy assumptions commence based on CPI+1%.
- A void rate set at 2% and bad debt provision 40% at 1% and 60% at 3% to reflect the potential impact of Universal Credit.
- General inflation based on CPI at 2%.
- Surplus funds generated through efficiencies or additional income is allocated to the Major Repairs Reserve to be available for use to invest and maintain the housing stock.
- Based on current trends, 20 Right to Buy sales are assumed each year.
- Capital Investment Programme includes inflation.

The new plan will provide a new strategy for investment whilst ensuring the sustainability of the HRA. Implementing the HRA Business Plan will ensure that the Council achieve a sustainable financial future for its housing stock. Self-sufficiency relies on a range of factors; and although some of these are outside the Council's immediate control, we will develop a business plan which is within the framework provided by the Council's financial strategy, and which seeks to make best use of our resources and assets to invest in the future of housing in the district.

3.3 Policy and Risk Implications

The draft HRA Business Plan will include an assessment of policy and risk implications.

Any changes made in relation to rent setting and tenure type will be considered on a 'case by case' basis to ensure they are not only financially viable, but also in-line with wider Council policies and procedures.

3.4 Corporate Plan Implications

Implementation of the final HRA Business Plan will meet the Corporate Plan's aim to ensure resident 'enjoy life' by increasing the overall condition and supply of housing in the district.

3.5 Resource Implications

The HRA Business Plan will link directly to the Council's MTFS and incorporates the Council's Capital Investment Programme, as approved by the Executive.

3.6 Equalities Impact Assessment

The HRA Business Plan is intended to be an overarching strategic document setting out the future of the Council's housing provision, and therefore not subject to an Equality Impact Assessment. However, any new policy or procedure created as a result of its implementation will be subject to such an assessment and will be inclusive of the relevant protected characteristics of age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation.

4 Conclusion

The draft HRA Business Plan demonstrates how Selby District Council can maintain its assets and invest in new provisions, and at the same time deliver a high level of service to current and future tenants. It provides a 30 year financial forecast for the HRA which includes key assumptions to ensure a sustainable financial model; including a new Capital Investment Programme which will drive increased standards, enable better planning and achieve greater efficiencies. Approval of the draft plan will allow the Council to progress to consultation with our tenants, leaseholders and relevant stakeholders; this feedback then to shape and help deliver an effective HRA Business Plan for implementation in April 2020.

5 Background Documents

Selby District Council Housing Revenue Account 2012-17
Selby District Council Housing Development Strategy 2013

6 Appendices

Appendix i – HRA Business Plan 2020-2025 (consultation draft) and appendices

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