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Ward(s) Affected: ALL
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Title: Housing Revenue Account (HRA) Business Plan – Final version

Summary:

On 5th September 2019, the Executive approved consultation of the draft Housing Revenue Account Business Plan. Following an appropriate period of consultation with key stakeholders, on 5th December 2019 the Executive approved the final version of the Council Housing Revenue Account Business Plan. This plan details how, over the period 2020-2025, the Council will both invest in their current stock, as well as increase overall housing supply in the district. It also provides a long-term financial forecast for the HRA over the next 30 years.

Recommendations:

The Council approves the final HRA Business Plan 2020-2025.

Reasons for recommendation:

Approving the HRA Business Plan 2020-2025 allows the Council to 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.

1 Introduction and background

1.1 HRA self-financing commenced in April 2012, allowing 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 also allows authorities to plan and provide services to their current and future tenants. Although this system therefore 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.

1.2 The HRA Business Plan subsequently 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. Ultimately, the Council's plan is 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 and approved 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.

1.3 Following approval of the Business Plan's consultation draft by Executive Members on 5th September 2019, the Council underwent a period of consultation with our tenants, gathering their thoughts on the draft. A summary of this feedback is provided in Appendix C. Slight changes (detailed below) have consequently been made in response to this feedback and the final version of the Business Plan is attached in Appendix A.

2 The Report

2.1 The HRA Business Plan demonstrates 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 plan should 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.

2.2 As advised, three new objectives have been agreed for the HRA Business Plan 2020-2025, which are:

2.2.1 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.

2.2.2 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.

2.2.3 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

2.3 The financial forecast included within the HRA Business Plan 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).
- Maintain the proposal that all loans will be repaid over a 30 year period if financially viable to do so (as per the previous HRA Business Plan 2012-2017).

2.4 The aim of the Housing Revenue Account Business Plan is 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.

2.5 Of course, the balance between repaying our debts, versus maintaining and/or extending our housing stock, will be an on-going feature of the 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 and will allow us to cope with changes in factors outside of our control.

- 2.6** For example, since the final modelling for the HRA Business Plan was published, Government announcements have confirmed September's CPI rate to be 1.7% for the purposes of rent setting in 2020/21 (opposed to the 2% forecast in the modelling). This will mean a small shortfall between predicted and actual rental incomes for the HRA. However, a number of other variables could also mitigate against this impact, including the amount of properties we are able to build or acquire, the speed at which void properties are re-let and the amount of new tenancy agreements commenced at target rent.
- 2.7** Similarly, only last month it was confirmed that Public Works Loan Board (PWL) borrowing rates would rise by 1% with immediate effect, impacting local authority's future borrowing for housing development. Based on the assumptions with the Business Plan, the impact of this increase over the life of the Business Plan change could increase the cost of borrowing by circa £14m. This would make our commitment to one-for-one replacement of properties more challenging to deliver. However, it should be acknowledged that we would still remain in a financially positive position.
- 2.8** These examples highlight the unpredictable socio-economic environment we work within, and which our HRA plan must adapt to year on year if it is to remain a financially viable business. This is why we intend to review the HRA Business Plan and its modelling each year, to ensure it remains up to date and responds to the latest Government direction. This will also provide us with the opportunity to utilise our 'flexible levers' as and when required, and in whichever direction is most appropriate. As a long term strategy, the HRA Business Plan will continually remain vulnerable to circumstantial changes, such as borrowing and interest rate fluctuations; which are likely to have both a positive and negative impact over the lifetime of the plan.

Consultation and amendments

- 2.9** Following approval of the Business Plan's consultation draft by Executive Members on 5th September 2019, the Council underwent a period of consultation.
- 2.10** The plan has been examined by both the Council's Scrutiny Panel and Policy Review Committee. Feedback from the Committee welcomed the increased expenditure under the Capital Investment Programme to build on the current Decent Homes Standard in our properties and address the backlog of repairs, bringing all Council properties up to a high standard. The Committee agreed that living conditions for Council tenants was rightly the priority, but also stressed the need to improve the external environment within Council owned areas. A separate Task and Finish Group has been established by full Council

to consider external maintenance, and feedback from this project is likely to feed into the next review of the HRA Business Plan.

2.11 Consultation has also taken place with our tenants. This included an online survey which was made available on the Council's website, complimented by drop-in sessions held at local Community Centres based around the district, and a focus group held at the Council's Civic Centre in Selby. These sessions were made available to all Council tenants and leaseholders wanting to attend, and provided time to look over the draft plan and receive feedback on the various proposals included within it.

2.12 Following this feedback, slight amendments were made to the final HRA Business Plan 2020-2025. These include:

- Inclusion of the recent findings of Selby's Strategic Housing Market Analysis (completed in February 2019). This replaces previous information from 2015 in regards to affordable housing provision.
- An increased acknowledgement that energy and fuel efficiency are multi-faceted issues, and that a combination of solutions will be required in order to improve our properties. Tenants were also keen for us to consider greener energies in our new build properties, so consideration for this as part of the development process has also been included.
- Not only increasing the number of properties we survey (as already proposed), but considering also the quality of these surveys. Whilst increasing inspections is important, we also need to ensure they are thorough and comprehensive if this information is to be used to help inform future improvements plans.
- Communication and feedback were a continued source of frustration for the tenants that fed back to us in regards to repairs. A greater emphasis has been placed on dealing with this within the plan.

2.13 Following these changes, the final report was submitted for Executive approval on 5th December 2019 and subsequently full Council on 17th December. It is the Council's intention that the final HRA Business Plan is implemented in April 2020.

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 (MTFS) 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.

It should be noted that as a long term strategy, the HRA Business Plan will continually remain vulnerable to circumstantial changes, such as borrowing and interest rate fluctuations; which are likely to have both a positive and negative impact over the lifetime of the plan.

This new plan will however 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 HRA Business Plan includes 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 HRA Business Plan 2020-2025 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 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 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 plan allows the Council to pursue its new objectives and make positive changes to its housing stock and service, better meeting the needs of our current and future tenants.

5 Background Documents

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

6 Appendices

Appendix A – HRA Business Plan 2020-2025 (including Appendices A, B, D)
Appendix B – HRA Business Plan 2020-2025 Appendix C
Appendix C – Summary of consultation feedback

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