

26 January 2022

Report of	Assistant Director of Place and Client Services	Author	Geoff Beales ☎ 506514
Title	Housing Revenue Account Business Plan 2022-2052		
Wards affected	All wards		

1. Executive Summary

- 1.1 The Housing Revenue Account (HRA) Business Plan sets out the Councils plan for managing and maintaining its social housing stock. It records the expenditure and income of running its Housing Revenue Account and closely related services or facilities, which are primarily for the benefit of our tenants.
- 1.2 This Business Plan identifies how the housing service is delivered, as well as showing what it costs and how the finances will develop in the future, showing that the plan is laid on firm foundations and is sustainable and viable for the future. It defines the priorities for investment and gives a summary of the key risks with actions to mitigate these risks.
- 1.3 The Business Plan balances the need for borrowing (to build new homes) and prudent spending within a framework of choice in prioritising the delivery of new health and safety measures, the need for meeting demand for more social housing, keeping homes decent and addressing the challenges of energy efficiency and climate emergency. This is undertaken, whilst currently also dealing with rising building cost inflation, higher contract costs, higher labour and materials costs and supply chain issues affecting delivery.
- 1.4 The plan demonstrates how the challenges and changes from the Governments Social Housing White Paper will be met through compliance works for building safety, electrical inspections, fire risk assessments (including smoke alarms and CO2 monitoring) and fire door inspections. Following the Grenfell fire tragedy, a robust framework is in place to ensure properties are safe, there is a requirement for an increased frequency to inspections and assurance needs to be provided that subsequent works are completed.
- 1.5 Spending plans include costs to ensure that all our homes meet the Government standard of energy performance (Band C Energy Performance Certificate) five years early in 2030. The plan continues to support improvement of the energy efficiency of our properties, tackling fuel poverty and inequality in our stock so that the tenants benefit from warmer homes at a lower cost where possible.
- 1.6 Costs to reduce emissions from our stock to a zero net carbon level have been calculated to be £87m-£102m. The Plan sets out a strategy to invest in an “fabric first approach”, to insulate the poorest performing homes, before adding ever-improving technological solutions as this national problem is addressed. We will continue to monitor and develop an understanding of the technical solutions available to us and will seek funding to support delivery.
- 1.7 The plan ensures we deliver our Asset Management Strategy (2022- 2027) ensuring that we meet requirements to keep the stock decent and affordable considering future

changes to the Governments Decent Homes Standard, taking a fabric first approach to the retrofit of properties ensuring that they are as energy efficient as possible

- 1.8 The Council has ambitious plans for the development of homes and the plan ensures that there is capacity to deliver on our current plans of delivering new social homes through new build or acquisition. The New Council Housing Programme increases borrowing in the short term for construction, but the properties then reduce overall Housing Revenue Account debt in the longer term (due to the additional rents they continue to generate). That ensures that the Council continues to provide as many affordable homes as it can, giving great social value, whilst maintaining prudent financial planning.
- 1.9 The Business plan will be reviewed in five years with an annual update to the financial modeling provided to Cabinet annually at its January meeting. However, this Business Plan continues to push ambitions against a prudent financial context, balancing the competing needs in a way that can be justified economically, both in the short, medium and long-term consideration of the next 30-year period.

2. Recommended Decision

- 2.1 To approve the revised Housing Revenue Account Business Plan 2022 to 2052.
(Attached as Appendix 1 to this report)

3. Reason for Recommended Decision

- 3.1 The HRA Business Plan sets out the Council's strategic plan for managing and maintaining the Borough's social housing stock. It sets out in detail the council's short to medium term plans and priorities for its housing and asset management services (5 years) and provides a long term (30 year) forecast on stock investment and financial planning.
- 3.2 The HRA Business Plan shows a sound and sensible balance for the priorities of the Council being advanced over the Business Plan period. It gives an economically sustainable strategy for which to go forwards, meeting the statutory health and safety requirements, improving the decency of homes, providing more homes and starting the journey towards carbon neutrality. This is a good framework from which to make decisions on a daily basis moving forwards, aligned with the Strategic Plan and Council priorities.

4. Alternative Options

- 4.1 To continue with the existing plan but this is out of date and does not reflect the Council's current priorities for delivery of new affordable housing or maintaining its existing stock.
- 4.2 To start the HRA Business Plan review afresh, however, this would not reach any better outcome and would delay ongoing work and planning.

5. Background Information

- 5.1 The HRA Business Plan sets out the Councils plan for managing and maintaining its social housing stock. It also sets out the Councils short to medium term plans and priorities (5 years and provides a longer term (30 year) forecast on stock investment and financial planning.
- 5.2 The Council owns 5920 properties for rent and the freehold of over 1050 leasehold flats across the Borough in addition to over 2200 garages and other buildings. The properties are managed through its Arm's Length Management Organisation (ALMO), Colchester Borough Homes (CBH).
- 5.3 The HRA is intended to record expenditure and income running a council's own stock and closely related services or facilities, which are primarily for the benefit of the councils tenants.
- 5.4 The main features of the HRA are:
 - It is a landlord account, recording expenditure and income arising from the provision of housing accommodation by local authorities
 - It is a ring-fenced account of certain defined transactions, related to local authority housing
 - The major items of expenditure included in the account are management and maintenance costs, major repairs, loan charges and depreciation costs
 - The main sources of income are in the form of tenants' rents and service charges
- 5.5 Legislation sets out the rules for the HRA including the ring fencing. There is no general discretion to breach the ring-fence, local authorities cannot budget for a deficit and all borrowing within the HRA is in line with the Chartered Institute of Public Finance (CIPFA) Prudential Code.
- 5.6 The housing stock represents CBC's highest value asset(s) and repair and maintenance cost is the largest liability. The properties owned is worth many millions of pounds, either as capital assets or as revenue generating assets and therefore planning for its sustainable future is fundamental as part of the planning and investment arrangements.
- 5.7 The last Business Plan was undermined by several changes as part of the Housing and Planning Act, along with the Government's decision to impose a 1% rent reduction for four years. This significantly impacted on our capacity to deliver on our objectives. However, circumstances have now changed, reverting back to annual rent increases and the borrowing cap removed giving CBC the financial ability to maintain its stock and capital/investment programme.
- 5.8 The Business Plan details the following priority areas of work:
 - The Governments Social Housing White Paper presents a new set of challenges for the Council and CBH in respect of community engagement/consultation, increased fire safety, compliance and building safety measures.
 - Government has signalled support for councils to develop new homes. We have been working towards identifying prudential rules to ensure that whatever borrowing is undertaken is affordable and sensible.
 - The Business Plan sets out our ambition to deliver 268 new homes and 90 acquisitions by 2027. New homes can be built and bought directly from developers such as our own company Colchester Amphora Homes Ltd.

- There is also greater attention than ever on the impact of climate change. We have been investing in homes to make them more energy efficient and to reduce carbon emissions from materials and heat loss.

5.9 The Business Plan identifies how the service is delivered as well as:

- What it costs and how we think the finances will develop in the future
- Show that our plans are laid on firm foundations, are sustainable and viable
- What additional resources we might have for investment
- What our priorities are for investment
- A summary assessment of the key risks in the delivery of the business plan with actions to mitigate these risks.

5.10 The new and revised Business Plan shows that the challenge of delivering changes to regulation and legislation following the Governments Social Housing White Paper can be delivered. There is significant new cost, these costs are all included in the revised Business Plan and include, fire safety, building safety, gas and electric safety and compliance.

5.11 The investment priorities for keeping the stock decent over the next five years are included in the revised Business Plan. However, this may need to change when the government concludes its review of the Decent Homes Standard in Autumn 2022 and issues revised guidance.

5.12 There is a need for new homes and costs of borrowing for development and acquisitions are included in the plan. CBC will continue with its plan to deliver 350 new social homes and explore options on further acquisition of properties utilising Right to Buy receipts. However, we will be constrained on the use of 1-4-1 right to buy receipts given that new rules limit acquisitions to 20 per year.

5.13 Reviews of sheltered housing schemes will be undertaken resulting in the identification of further investment in some sheltered properties to ensure that the properties remain fit for the future. Currently work is ongoing at Elfreda House where the scheme has been demolished and is currently being rebuilt to modern day building standards.

5.14 As per the draft Asset Management Strategy costs for getting all properties up to a Band C EPC (Energy Performance Certificate) rating are included in the plan. This involves work to 901 properties at a cost of £2.5m which will be completed by 2030, 5 years ahead of the required date set by Government. Works will be completed on a worst first basis. This is on top of previously approved extra investment of £4.4m for 2020/21 and 2021/22 to make properties more energy efficient and produce less carbon.

5.15 Cost for work to decarbonise our stock are not included in the Councils carbon targets, through the work in the draft Asset Management Strategy these costs are currently estimated at £87m-£102m. The Council continues to develop an understanding of the technical solutions available and funding streams to deliver decarbonisation to our stock. In the meantime, we will take a fabric first approach when retrofitting properties and ensure stock meets the energy efficiency targets set by Government. Several new council homes have been and will be handed over to residents with properties built to future homes standards with air source heat pumps installed.

5.16 As opportunities arise the Council in partnership with CBH will bid for Social Housing Decarbonisation Funding (SHDF) as and when this becomes available. We will continue to monitor the development and implementation of new technology to deliver net zero carbon and where opportunities arise look to be innovative in implementing them.

- 5.17 The Business Plan and financial modelling will be updated on an annual basis and reported to Cabinet with the budget papers in January each year. The Business Plan will be reviewed in five years' time.

6. Equality, Diversity and Human Rights implications

- 6.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:
- eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act.
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 6.2 The recommendations will have no disproportionate impact on any protected group. The Equality Impact Assessment for the HRA Business Plan can be found [here](#).

7. Strategic Plan References

- 7.1 The Strategic Plan sets out clearly the Council's priorities. The budget process has been designed to ensure that resources are allocated to meet these priorities.
- 7.2 This decision particularly contributes to the following Strategic Plan 2021-2023 priority areas:
- **Responding to the Climate Emergency**
 - Reduce carbon emissions to help achieve a zero-carbon footprint for Council services for 2030
 - Environment and sustainability imbedded in all Council decision making and the adaption and recovery from Covid-19
 - **Tackling the causes of inequality and support our most vulnerable people**
 - Support people to live in healthy homes that meet their needs
 - **Increase the number, quality, and types of homes**
 - Improve existing Council homes to keep them in good repair and improve energy efficiency
 - Continue to improve and modernise available housing for older people
 - **Prevent households from experiencing homelessness**
 - Work with partners to deliver the 2020-23 Homelessness and Rough Sleeping Action Plan
 - Intervene early to prevent homelessness and work in partnership with other organisations to sustain people's accommodation
 - Tackle rough sleeping in the Borough
 - **Enable economic recovery from Covid 19 ensuring all residents benefit from growth**

- Ensure our Borough becomes stronger post Covid 19 by supporting businesses to recover, adapt and build resilience
- Develop opportunities to ensure the new economy is greener, sustainable, and more resilient
- **Create an environment that attracts inward investment to Colchester help businesses to flourish**
 - Encourage green technologies and innovative solutions to the Climate Emergency
 - Maximise the social value benefits derived from third party contracts
 - Ensure the Councils assets continue to contribute to economic growth and opportunity

8. Consultation

- 8.1 Both CBC and CBH recognise that residents, play a central role in future policy setting and to that end both tenant and leaseholder representation have been consulted through a task and finish group during the production of this strategy along with a short survey. There are also the results from the STAR (Survey of Tenants and Residents) survey that will be used to help formulate an action plan.
- 8.2 CBH will need to develop a resident engagement action plan to include more consultation with residents to help tenants and leaseholders understand and take responsibility and understand safety of their homes.
- 8.3 Further engagement will also be required in increasing understanding of climate change and net zero carbon, so tenants understand what must be done and how this will be done to achieve our goals and aspirations in managing our assets.

9. Publicity Considerations

- 9.1 Good communication with tenants and leaseholders is vital and the Council, working closely with CBH, will issue information to its tenants and leaseholders to advise them of the impact of the Asset Management Strategy, a joint communications plan will be developed.
- 9.2 The revised Asset Management Strategy will be published on the CBC Strategies page of the website.
- 9.3 Once completed the action plan developed from the strategy will also be available on the website and updated regularly.

10. Financial implications

- 10.1 As set out in the revised Business Plan attached as Appendix 1 to this report.

11. Health, Wellbeing and Community Safety Implications

- 11.1 It is broadly expected that communities where these works will take place will be positively affected by the completion of the works. Improved buildings and estates reduce anti-social behaviour and crime, improve health and associated outcomes for residents and communities. The quality of housing has a significant positive impact on the health of residents within those properties.

12. Health and Safety Implications

- 12.1 Contractors who bid for works are expected to demonstrate a strong track record and high level of competence in managing health and safety through any procurement process. Contractors then manage health and safety on sites managed by CBH, although ultimate responsibility remains with the Council as the contracting authority.

13. Risk Management Implications

- 13.1 A new Business Plan is required to reflect the Councils changing obligations around ensuring homes are decent, safe, and compliant. To not agree the new plan could lead to the Councils stock not being fit for purpose and possibly subject to reputational damage, regulation penalties and disrepair claims.
- 13.2 Other key housing risks include: government rent policy, Right to Buy, welfare reform, demand for housing and the Social Housing White Paper. These are all detailed within the plan.
- 13.3 It is also important to understand the cost and assumptions around interest rates. Currently the base rate is at 0.1%, however, there appears to be a trajectory for future base rate increases. This will be important to monitor as CBC looks to continue development of new homes.
- 13.4 Shortages of skilled labour and issues with the supply of materials have been well documented and these have driven cost inflation in the housing sector in recent months. This rise in costs may have a knock-on effect in terms of future new supply and viability of new developments along with increases in materials and services placing an upward pressure on costs.
- 13.3 As part of the Councils and the Governments wider ambition to meet the net zero carbon challenge social housing providers have been set a target for energy efficiency of properties to attain an Energy Performance Certificate rating of Band C by 2035. By not implementing the Business Plan we may miss this target.
- 13.4 On approval of the Business Plan an action plan will be developed for the implementation of the Asset Management Strategy to monitor implementation and delivery of the recommendations and requirements as set out to ensure delivery in a timely manner over the next five years and within the budget framework set.

- 13.5 Further monitoring of the Business Plan will be carried out by the CBC Client Team and CBH officers as part of a formal review process. An update on the Business Plan is provided to Cabinet annually at the January meeting.

14. Environmental and Sustainability Implications

- 14.1 As part of the Housing Asset Management Strategy a Housing and Environmental and Sustainability Strategy has been produced. Using a specialist energy efficiency modelling database, we have looked at scenarios for delivering all our homes to EPC Band C by 2030. There are an estimated 901 homes that fall below this band and the cost of retrofitting these properties is estimated to be £2.5m. The cost of the work is included in the revised Business Plan along with previously approved extra investment of £4.4m for 2020/21 and 2021/22 to make properties more energy efficient and produce less carbon.
- 14.2 CBC has been taking action to improve the energy efficiency of our properties, cold damp houses and inequality in our stock create poorer health outcomes. Energy efficiency works take a fabric first approach to retrofit and include loft and cavity wall insulation and moving to installing Air Source Heat Pumps from our Capital Programme. This ensures we are tackling fuel poverty and making utility bills cheaper.
- 14.3 Where possible water saving measures and LED lighting are installed
- 14.4 There are no new PV installations planned, but where installed, tenants benefit from savings and the Council receives revenue returns which are re-invested into other initiatives.
- 14.5 The Government has a target that all social rented homes will be net zero carbon by 2050. The Council continues to develop an understanding of the technical solutions available and their cost as it continues to seek funding to support delivery and consider the financial viability of properties. The cost to zero carbon the Councils housing stock is estimated at between £87m-£102m. Several new homes have and will be handed over to residents that are built to the future home's standard and with air source heat pumps installed.

Appendices

Appendix 1 – Housing Revenue Account Business Plan 2022-2052