

Title: Housing Revenue Account Budget and the Associated Risks  
 Lead Officer: Lisa Barker/Steven Leathley  
 Portfolio Holder: Cllr Paul Wightman  
 Wards of the District directly affected: All

<b>Approvals required</b>	<b>Date</b>	<b>Name</b>
<b>Portfolio Holder</b>		Cllr Paul Wightman
<b>Finance</b>	21/05/2024	Steven Leathley
<b>Legal Services</b>	17/05/2024	Kathryn Tebbey
<b>Chief Executive</b>	21/05/2024	Chris Elliott
<b>Director of Climate Change</b>		Dave Barber
<b>Head of Service(s)</b>	17/05/2024	Author
<b>Section 151 Officer</b>		Andrew Rollins
<b>Monitoring Officer</b>	21/05/2024	Graham Leach
<b>Leadership Co-ordination Group</b>		
<b>Final decision by this Committee or rec to another Cttee / Council?</b>	No although the Committee may wish to make comment to Cabinet and/or Council	
<b>Contrary to Policy / Budget framework?</b>	No	
<b>Does this report contain exempt info/Confidential? If so, which paragraph(s)?</b>	Yes within section 3.	
<b>Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?</b>	Yes, Overview and Scrutiny Workplan	
<b>Accessibility Checked?</b>	Yes	

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**1. Summary Why O&S asked for the report (defined objective by O&S)**

1.1 The O&S Committee added this item to its Work Programme at its meeting in January 2024. O&S asked to consider the Housing Revenue Account Budget and the risks associated with it.

**2. What the service is being delivered (and its performance and how is performance validated)**

2.1 The Housing Revenue Account (HRA) is the financial account used to record expenditure and income concerned with running the council's housing stock and closely related services or facilities. It is a ring-fenced account and can only be used to provide services to, or for the benefit of, Council housing tenants. The HRA Business Plan is a key strategic document which sets out the Council's income and expenditure plans for delivering Council Housing Services.

2.2 The Housing Revenue Account Business Plan (HRA BP) is reviewed annually and updated to reflect changes in legislation, the housing market and business assumptions.

2.3 The Council must present a 30-year HRA BP as a minimum but has adopted a 50-year HRA BP which must remain viable in line with the longer-term financial commitments, allowing the Council to manage and maintain its housing stock, to proceed with the projects already approved by Cabinet, to service the debt created by the HRA becoming self-financing, to service the debt from new borrowing and provide a financial surplus.

2.4 The most recent HRA BP is attached as Appendix A to this report.

**3. The key risks to the service and how they are being managed.**

The HRA BP will continue to be regularly monitored and an annual update provided to Cabinet to ensure the financial model remains robust.

Key risks	How they are managed
<p>Over focus on Decarbonisation of the Housing Stock leading to</p> <ul style="list-style-type: none"> <li>• Potential lack of finance for statutory Health and Safety issues.</li> <li>• Over reliance on borrowing to fund repairs/Health and Safety measures to existing stock for which no additional income is achieved.</li> <li>• Potential lack of finance for Statutory requirements eg Decent Homes</li> <li>• Inability to build new homes given the continued increased levels of homelessness (doubling since 2018) and applications to join the housing register at between 150 and 200 per month.</li> </ul>	<p>Officers provide advice for Cabinet to make a decision.</p> <p>A programme of work is being developed against which progress is monitored.</p> <p>The Housing Revenue Account Business Plan is reviewed Annually.</p>
<p>Balancing the HRA in light of government policy and ambitions to decarbonize the stock, achieve increased carbon efficiencies on new homes and deliver new homes:</p> <p>Decent Homes (DHS) DHS 2 has been consulted on potentially considerably more onerous. – Statutory requirement</p> <p>Fire Safety and Building Safety legislation – frequently changing legislation and regulation. Statutory requirement risks of reputational and financial damage</p> <p>Disrepair – ambulance chasers. Statutory requirement. Considerable rise in claims</p> <p>New Homes – key requirement</p> <p>Asylum and Immigration – impact on waiting lists and local housing market. Demands out of WDC control but lead by the Home</p>	<p>Member of ARCH (Association of Retained Council Housing) which lobbies on behalf of Local Authorities.</p> <p>Key relationships with DCN and LGA for lobbying power.</p> <p>Housing Managers membership of Chartered Institute of Housing to add voice.</p> <p>Horizon Scanning</p> <p>Building in known factors into the HRA BP.</p> <p>Advice to Cabinet/Council to enable informed decisions</p>

<p>Office. No consultation on numbers which have increased 209% from last year.</p> <p>Damp, Mould and Condensation – Awaabs Law. Statutory requirement and increasing presentations.</p> <p>Qualifications for Housing Managers – statutory requirement</p> <p>Rents and rent setting – Self-financing in 2012 (30-year business plans) yet by 2015-2021 cap extended to reducing rents, and again in 2022, rents capped from 11% rise to 7%. The latter cost the Council £1m which is an annual loss going forward.</p> <p>Pressing need for additional resources to support the impacts of new government policy.</p>	
<p>Viability and Capacity of the HRA eg thorough Right to Buy</p> <p>Since 1<sup>st</sup> April 2018 - Council owned rented stock has increased from 5508 – 5554 (31 Oct 2023).</p> <p>193 new homes (17 buy backs and 176 rented) but this is against 145 disposals through the right to buy over the same period.</p> <p>Note 28 shared ownership properties have also been delivered providing a low-cost home ownership product to those who cannot afford full purchase products.</p>	<p>Through a Housing Development Programme however, this is subject to agreement in relations to Political priorities and needs to be balanced against statutory responsibilities</p> <p>The Housing Revenue Account Business Plan is reviewed Annually.</p>
<p>New Regulatory Regime (Housing Regulator/Building Safety Regulator).</p> <p>New Consumer Standards</p> <p>Increased powers for the Regulators.</p> <p>Strengthened powers for the Housing Ombudsman</p> <p>New requirements for handling of Housing related Complaints including revised (shorter) investigative timelines.</p>	<p>External assessments of performance (Pennigtons/ Housing Quality Network , the latter still to report) against the Consumer Standards producing Action Plans to improve performance and ensure best practice.</p> <p>Asset Compliance Committee established as part of action plan for improved monitoring and governance.</p>

<p>Regulatory Inspections and Judgements on a four yearly basis</p> <p>Pressing need for additional resources to deliver these additional demands.</p>	
<p>In respect to future borrowing to facilitate house building as per the October 2018 removal of the HRA Borrowing Cap there are risks relating to the percentage rate that the Council is able to borrow and the impact to the associated interest that must be paid alongside the repayment of the loan principal. This issue will be kept under close watch and The Link Group (the Council's Treasury advisors) will be consulted regularly for forecasts.</p> <p>The interest rate charged by the PWLB fluctuate twice daily. If borrowing is assessed as the preferred method of funding each scheme will be evaluated on viability including the cost of borrowing and if PWLB rates are deemed to be too high alternative sources of borrowing from other reputable organisations will need to be considered, this may increase the timescales to borrowing and include additional Legal Fees.</p> <p>Historically, the HRA has borrowed from Council General Fund (Internal Borrowing) which has provided a return on investment for the General Fund however, Internal Funds are no longer at a level for this method to be sustained.</p>	<p>Once PWLB borrowing takes place, rates are fixed which provides surety over borrowing.</p> <p>Modelling is undertaken which enables appraisal of interest only (maturity) and annuity loans.</p> <p>Modelling also considers options for short term loans to be utilised where predictions are for interest rates to fall in the medium term.</p> <p>Where interest rates are high, Modelling also considers options for medium term loans to be utilised where interest rates are expected to be lower at the time of maturity (when the loan needs to be refinanced).</p> <p><b>See confidential Appendix for further information*</b></p>
<p>Inflation continues to be high due to the ongoing global factors such as the War in Ukraine and the Cost-of-Living Crisis still impacting on UK's economy. Prior to these fluctuations an expectation of CPI and RPI inflation was 1.5%-2.00% annually. In comparison CPI reached 11.1% and RPI 14.2% in 2022/23. Current inflation as per</p>	<p>Modelling is undertaken prior to borrowing with options including interest only against annuity considered.</p>

the most recent ONS published data is 4% as at December 2023, this is still higher than pre-pandemic levels.	
The affordability of Borrowing will impact the long term HRA and it's income available to fund future projects and annual budgets. Maturity loans will have to be paid in full or refinanced at Maturity (traditionally this is 40 years after the original loan has been taken out).	Within the HRA Business Plan, all Maturity loans are shown at maturity dates, an assessment is made to ensure that HRA Reserve can finance the repayments, or the cost of refinancing the loan.
Cash Flow of the Organisation. The HRA must be able to afford the repayments as part of the wider cash flow and Treasury Management of the Council (both General Fund and HRA).	This may be a deciding factor on the types of loans taken, Annuity (Interest and Principal payment) or Maturity (Interest only and principal paid on maturity).
Unexpected costs due to age or condition of properties and their attributes.	Stock condition Surveys, External Wall surveys, Fire Risk Assessments, concrete condition surveys, assessment of RAAC. Retrofit assessments. Horizon scanning of the experience of others.
Universal Credit mass migration is currently starting across the district with a view that all those on legacy benefits will need to apply by May 2024, when any current legacy benefits will end. There is a risk this mass roll out will affect arrears as those that don't apply or may not how to, could effectively have no income.	The bad debt provision within the HR BP will remain at 1.6%. This will be assessed regularly.

#### **4. What is working well and what is not working so well**

##### Working well

- 4.1 The Housebuilding programme is enabling the Council to mitigate strongly against the Right to Buy which in turn provides stability in the income expectations contained within the HRA BP.
- 4.2 The Commercial approach adopted.
- 4.3 Obtaining external support to validate our performance.

4.4 Obtaining external advice to support officer decision making in relation to programmes of work.

Working not so well

4.5 Balancing and preparing for all of the demands placed upon the HRA.

4.6 Taking account of the impacts of key decisions which have a considerable affect on the HRA before making that decision.

4.7 Governance for Housing being split between Portfolio Holders.

**5. One Change to improve performance.**

5.1 For O&S to consider in detail, and provide advice to Cabinet upon, how best to balance the demands upon the HRA to ensure that Housing Need is met whilst delivering the many facets of the Corporate Strategy that impact upon it.