Cabinet

Excerpt of the Minutes of the meeting held on Wednesday 8 March 2023 in the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillors Day (Leader), Bartlett, Cooke, Falp, Hales, Matecki, Rhead, and Tracey.

Also Present: Councillors: Boad (Liberal Democrat Group Observer), Davison (Green Group Observer), Mangat (Labour Group Observer), and Milton (Chair of Overview & Scrutiny Committee).

106. **Declarations of Interest**

There were no declarations of interest made in respect of the Part 1 item.

Part 1
(Items upon which a decision by the Council was required)

115. **Housing Revenue Account Business Plan Review 2023**

The Cabinet considered a report from Housing. The Housing Revenue Account Business Plan (HRA BP) was reviewed annually and updated to reflect changes in legislation, the housing market and business assumptions.

The Council needed to present a 30-year HRA BP as a minimum but had adopted a 50-year HRA BP which needed to 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.

The Housing Revenue Account (HRA) was the financial account used to manage the Council's activities as a landlord. It was a ring-fenced account and could only be used to provide services to Council housing tenants. The HRA BP was a key strategic document which set out the Council's income and expenditure plans for delivering Council Housing Services.

Housing had moved up the national and local political agenda over the last decade. National issues around the affordability of home ownership, high costs of private renting and availability of genuinely affordable homes had driven this. Locally increases in homelessness including the most visible form, rough sleeping, the tragedy surrounding the Grenfell Tower fire, ambitions to deliver new Council homes and the Climate Emergency being declared by the Council in 2019 had shaped the debate more recently alongside the uncertain impacts of the current Political and Economic Instability, including the effects of Brexit, the Covid-19 pandemic alongside the Cost of Living Crisis and the impact of the war in Ukraine.

The HRA BP would continue to be reviewed on a regular basis and the underpinning assumptions would require further annual revisions. Without the proposals contained within the report being reviewed regularly, the viability of the BP was at risk and would result in the Council needing to curtail its ambitions. The proposals in the BP would allow for future policy changes, and their financial implications, to be managed within the existing plan, and for investment decisions to be made regarding the existing housing stock and future construction, acquisition, and service projects.

In April 2012 the national Housing Revenue Account Subsidy System (HRASS) was replaced and Council's operating a HRA were required to do so on a 'self-financing' basis. This required each such Council to make a payment (and a few to receive a payment) to Government to secure release from the HRASS, each individually calculated and based on an assessment of the assumed payments that would otherwise have been made into the HRASS had it continued to operate for a further 30 years. In WDC's case this required a one-off payment of £136.2m which was loan financed using a mix of 40-50 year Public Works Loan Board Maturity Loans, meaning the Interest of £4.765m would be serviced annually for 40-50 years until the £136.2m capital balance would need to be repaid.

On 6 March 2012 Cabinet approved a HRA BP for the period 2012/13 – 2061/62 which, based on the assumptions made at the time, ensured the Council would have a viable plan that provided for the £136.2 Self Financing loan to be repaid under the terms arranged, for the investment and management needs of the housing stock to be met and which provided financial headroom, through the accumulation of revenue surpluses. The historic 2012 plan was for the HRA BP to repay the self-financing debt repayments over a phased 10-year period from 2051/52 to 2061/62.

A revised HRA BP was approved in December 2020 Cabinet which changed the repayment plan for the £136.2m debt and instead a change of direction was taken with a new plan to refinance the loan capital repayment and repay them at a later point in time. As a result of this change, the 40-50 Year Maturity Loan Interest payment would continue to be facilitated until 2051/52-2061/62 with a view of the capital repayments being re-financed in line with specialist treasury advice at that point in time.

The HRA Borrowing Cap was removed on 30 October 2018 resulting in greater flexibility for the Council to borrow monies (in full or part) to purchase and/or develop housing alongside utilising other funding sources, including reserves.

In line with the Council's announcement of the Climate Emergency, the Housing Improvement Plan (HIP), after being extended from five years to 10 years at the December 2020 Cabinet, would continue to be presented as a 10-year plan to enable the HRA BP to fund the increased costs associated with these works.

Where available, a Grant would be actively sought in line with the Council's Affordable Housing Investment Partner Status with Homes England to support currently approved and future housing schemes to lessen the financial impact on the HRA BP.

Development and land purchase schemes approved in separate Cabinet and Council meetings since the HRA BP was last presented in December 2021 had been incorporated into the overall financial assumptions.

The Council declared a climate emergency in 2019. This declaration acted as a catalyst for change in the Council and led to the development of a Climate Change Action Programme which had a target of a Net Zero Carbon Council 2025.

This Climate declaration impacted the HRA BP as the Councils Housing Stock needed to be decarbonised which in turn had material cost implications. Where a Grant was available, it had been applied for to reduce the costs of these decarbonisation schemes and the forecast budgets could be viewed in Appendix 4 to the report - Housing Investment Plan.

A new Housing Fire Safety & Climate Change Team was assembled in 2021/22 to deliver this target with the aims of tackling energy inefficiency through innovation and investment, delivering an improved standard of living in our homes, and decarbonising the built environment and removing the use of fossil fuels in our homes as fast as practicable in accordance with Net Carbon Zero targets.

The budgets for the Fire Safety and Climate Change works were listed in the HIP in Appendix 4 to the report. All costs linked with recent Cabinet reports relating to Fire Safety and Climate Change works presented to February 2023 Cabinet had been incorporated into either Appendix 4 to the report HIP if capital in nature or into Appendix 2 to the report HRA BP Projections if revenue in nature.

On the 17 November 2022 the Autumn Statement was announced by the Chancellor of Exchequer Jeremy Hunt stating that after a short period of consultation, all social and affordable rent increases in England would be capped at 7% as of April 2023 for a period of 12 months to combat the cost-of-living crisis and in response to "unprecedent global headwinds" the country was facing.

The government regulated how much social housing rents could increase each year. Currently, Social and Affordable Rents were set at up to the consumer price index (CPI) rate plus 1%. If Rent increases had been allowed at this rate, then it would have meant potential increases of 11% for the social and affordable rent dwellings. Shared ownership properties rents were inflated annually by retail price index (RPI) +0.5% which would have meant a rent increase of over 14%.

The Council calculated the estimated HRA revenue rent loss caused by this 7% rent cap in comparison to the current CPI and RPI models would have been £1.2m for the 2023/24 Financial year. However, it was unlikely that such a huge rent increase would have been implemented due to affordability for the tenants. It should also have been noted that the consultation did also propose rent increases at 5% and 3%. If 3% had been chosen, the rent loss could have been as high as £2.3m.

In turn, HRA operating costs had inflated at a similar rate so any rent cap below inflation meant that there was a net loss of income when costs were increasing but rents were not matching the same level of increases. It was very uncertain if there would be further rent caps enforced by the Government after this one-year period.

The Current UK Economic uncertainty, turbulent economy and Cost of Living Crisis had caused inflation to skyrocket. Historically RPI% would hover around 1.5-2% but in October 2022 it increased to a high of 14.2%. Inflation at this rate had not been seen since the 1970/80's.

Many of the HRA's Repairs & Maintenance and Major Capital Works Contracts were linked with annual inflation linked to Retail Price Indexation (RPI) which had meant that the budgets for these works had to be inflated in line with 10-14% inflation which had been added to this HRA BP and had placed extra unexpected strain on the business model.

The War in Ukraine had caused utility costs to also increase by huge and unexpected amounts. The Councils sourced its gas and electricity from a commercial energy broker called ESPO to ensure best value was achieved. Energy price caps were implemented by central government to protect consumers and businesses from these extreme price rises but because ESPO brokers commercial contracts for the Council the caps were a lot higher than the actual usage so no benefit can be applied to the HRA budgets.

In real terms, the increases had meant that from October 2022 the electricity cost had doubled, and from April 2023 the gas cost had quadrupled. Initially, further increases were expected on electricity in October 2023 of another 30% increase on electricity and in April 2024 a further 30% increase on gas on top of the previous increases.

In real terms, this meant that in the 2023/24 financial year the forecast total cost increase on gas and electricity was £440k.

The HRA BP needed to remain robust, resilient, and financially viable. Revising the HRA BP annually ensured the Council's HRA was able to continue to deliver its ambitious development programme, provided much needed social and affordable housing in the District and facilitate the re-financing of the £136.2m 2012 self-financing loan which was approved in the 11 January 2012 Executive Meeting. The plan to refinance the self-financing debt resulted in either the partial or full refinancing of the £136.2m loan for a longer period of time.

The HRA detailed the plans for development and acquisition expenditure in the Housing Investment Plan (HIP) alongside its budgets for the major works of its housing stock and any capital grant related projects. In recent years there had been extra demands placed on the HIP from housing development schemes, but also from the requirement to complete increased levels of work and costs linked with maintaining and improving the housing stock in line with the Climate Emergency announcement in 2019 and increased levels of Fire Safety Works. The HRA 10-year HIP ensured the long-term planning of these costs, schedules of works and developments to ensure there were sufficient resources in place.

The revised HRA BP provided for a minimum operational balance of £1.5m after all appropriations had been deducted. This minimum surplus was increased annually for inflation alongside ensuring a revenue surplus to be achieved annually for transfer to the HRA Capital Investment Reserve (CIR). As shown in Appendix 2 to the report, the balance of the HRA CIR at the end of the current 2022/23 financial year was expected to be £24.3m and, based on current projections, would reduce annually until 2032/33 when it would start to increase again when the model forecasts income, in particular that linked to an increase in the housing stock, came on stream following upfront costs being incurred during the purchase and development phase.

The original self-financing plan was to service the PWLB Maturity Loan interest cost for 40 years and then begin paying the £136.2m debt capital back in intervals of £13m-£19m over a 10-year period from 2051/52-2061/62 using balances accumulated in the HRA CIR & MRR. In prior versions of the HRA BP, there were sufficient balances within the CIR and Major Repairs Reserve (MRR) to facilitate the repayment of this debt, but this was no longer possible due to the strain on the model caused by the additional climate change and fire safety works alongside increased development, rent caps and high inflation.

By 2061/62 there was a forecast capacity to pay £47.1m of the debt made up of a balance of £41.3m in the CIR and £5.8m in the MRR. At this point, the HRA had the option to refinance the loan repayments for the period 2051/52-2061/62 and repay some of the debt. Specialist advice was sought from Link Treasury Management, who confirmed that there was no legal requirement to repay the debt within the original timeframe linked with the Government’s original Self-Financing legislation. It was advised that a number of other Local Authorities had taken the decision to refinance their self-financing debt to enable them to focus on house building and other priorities in the short term. Indeed, this was the financial model adopted by many housing associations. Link Treasury Management advised that a similar level of interest repayment should be assumed in the HRA BP for an indefinite period if the decision to refinance the repayment of Debt Capital was made.

Approval of any plans for the partial repayment of debt would need to be revised at that point in time alongside the assessment of further borrowing required. The HRA Business Plan remained viable when continuing to fund the annual £4.765m in self-financing interest payments for the 50-year plan.

The revised HRA BP would be able to maintain existing service provision, fully meet the responsive and cyclical repair needs of the HRA stock and continue to invest in refurbishment and improvement work to maintain the Decent Homes Standard through the HIP.

The removal of the HRA Borrowing cap on the 30 October 2018 by the Department for Levelling up, Housing and Communities (DLUHC), previously known as the Ministry of Housing Communities & Local Government (MCHLG) was implemented to enable Councils to build more homes. During MHCLG’s consultation on the matter the borrowing cap was stated to be the biggest barrier to Councils building new homes and as such the cap was removed to “reaffirm the appetite to deliver a new generation of council homes”.

A further Central Government policy borrowing change on 12 March 2020 advised that the HRA was to be given favourable rates of financing to borrow for acquisitions or construction of Social and Affordable Housing resulting in a reduction in interest rates of 1% from 1.86% to 0.86% where the purpose was for housing related expenditure.

However, since 2020 the % interest rate at which the Council could borrow for HRA Works rocketed from 0.86% up to 6.5% in the last Quarter of 2022. Due to this, the decision was taken to not take out borrowing from the PWLB at such high rates which had meant that most of the HRA Borrowing requirements for New Build acquisitions and developments as well as major capital works had not taken place but would be phased over the next few years in line with expert treasury management advice.

PWLB rates had now started to reduce, and Link Treasury Management had advised that borrowing rates were currently at 3.9% net of the Councils -0.2% PWLB certainty discount and would reduce gradually until 2026/27 to 3% and should remain at that base level for the foreseeable future as long as the economy continued to recover. It was noted that long range PWLB borrowing forecasts did not drop below 3% or anywhere near pre-pandemic levels.

Details of all approved borrowing for such schemes and the subsequent timing of repayment of this debt are noted on Appendix 2 to the report and also in the Financing section of the HIP in Appendix 4 to the report.

The underpinning HRA BP assumptions were set out in Appendix 1 to the report, with explanatory notes documenting all changes from the previous iteration of the HRA BP. These changes had then been applied to the HRA 50-year Plan set out in Appendix 2 to the report. A summary of the changes between the previously approved iteration of the HRA BP and the revised current year plan were set out in Appendix 3 to the report.

A 10-year HIP was adopted in the December 2020 Cabinet Report to enable the Climate Emergency and Fire Safety works to be completed and enable the HRA BP to remain financially viable as a result of phasing the expenditure across a longer period. The new HIP was noted in Appendix 4 to the report and contained total costs amounting to £114m, the following costs were split over a 10-year period:

- £32.8m Stock Condition Survey works.
- £32.263m Climate Emergency works associated with the Council declaring a Climate Emergency.
- £41.2m required for Fire Safety works in line with Fire Risk Assessments resulting from the Grenfell Tragedy and for the removal of Cladding.
- £7.7m Decarbonisation Grant funded works in line with central government partnership schemes.

The Councils housing construction and acquisition plans were also shown in the HIP and total £119m over the 10-year plan. Separate reports had been presented to Cabinet for each scheme accompanied by a full financial appraisal. Where there were reports being presented to Cabinet for approval in March the costs have been included in the HIP to ensure the budget was consistent between all reports being considered.

The financing of the development projects in the HIP were also noted in Appendix 4 to the report. The financing was generally funded from a mix of:

- External Borrowing from PWLB.
- The HRA Capital Investment Reserve.
- Right to Buy (RTB) receipts from the sale of Council Houses.
- Homes England Capital Grant.
- Other Grants.
- Capital Receipts from Affordable Homes Shared Ownership sales.

The HIP also contained the planned financing for the HRA's capital major improvement and renewal works to the Councils housing stock, these works were mainly funded by the Major Repairs Reserve (MRR) which was a ring-fenced account for the purpose of maintaining and improving existing housing stock; other methods that could be used were a mix of:

- The Major Repairs Reserve.
- Capital Grants.
- Top ups from the HRA Capital Investment Reserve.

The works funded using the MRR had been scheduled using separate stock condition surveys which were completed with a specialist housing consultancy, Michael Dyson Associates Ltd and that stock data was still available and had been updated with information of component renewals in the period since the original survey.

The Council had now commissioned Penningtons to carry out a new 100% stock condition survey and that was underway, focusing first on those properties which current data suggested might not fully meet the Decent Homes standard so that a current position on compliance could be measured and rectified. That initial work should be completed by Spring of 2023. The survey would then move on to inspect all of the remaining properties and this would be in 2023/2024.

These surveys had provided information in respect of the condition of the main elements, known as stock attributes, of HRA homes. This survey information, complementing information from our in-house team of surveyors, enabled a comprehensive picture of the current state of, and consequently the future investment needs, of a range of stock attributes such as kitchens, bathrooms, roof coverings, windows, doors, and rainwater goods.

The surveys undertaken to date allowed the Council to fix a baseline position for the entire HRA stock which, in turn, allowed for the maintenance needs to be costed for the lifetime of the revised HRA BP. This baseline would continue to be refined in future years through a combination of in-house surveying and data analysis and had been updated to factor in the Climate Change and Fire Safety works. The existing 2023/24 HIP budget allocation would be directed to meet the most pressing needs, with a full revision of the profile of the future HIP to take place next financial year, to ensure that the properties with the poorest condition attributes were remedied as quickly as possible, and a tailored programme was put in place to replace items on a timely basis.

The balance of the MRR was increased annually by the amount of the annual depreciation charge to the HRA stock, which for 2022/23 was an estimated £6.2m. Based on current projections and the large financial strain on the HRA BP to deliver stock condition works, climate change works noted in Appendix 2 to the report, the MRR balance was expected to drop as low as £4.4m by 2024/25. It would, however, remain sufficient to fund the required level of improvements necessary as it would be topped-up using a contribution from the CIR which could also be used to fund the major works.

The HRA Housing stock itself was re-valued annually and further confidence in the viability of the HRA BP could be derived from the current valuation noted in Appendix 5 to the report of £430,085m based on the Existing Use Valuation methodology for social housing or £1.069bn based on an unrestricted use valuation as at 31 March 2021. These valuations were significantly higher than the peak projected total borrowing of £268.5m in 2029/30 resulting from a combination of the £136.2m self-financing debt and additional £132.3m debt resulting from further borrowing to finance housing acquisition schemes. The additional housing acquisition debt was fully serviced from the rents received from the new dwellings.

A number of housing acquisitions, development schemes and land acquisitions had been approved as noted in the HIP at Appendix 4 to the report, some of which would be funded using borrowing from the PWLB to ensure that sufficient balances remained in the MRR and CIR. There were two historical material Land Purchases contained within the HIP which were yet to have the development plans approved. It was expected that these sites would warrant separate Cabinet approval with the Housing Strategy and Development Team working on the optimum development plan to ensure that these schemes were financially beneficial to the HRA. The cost of carrying these land acquisitions was one of the negative contributing factors to the HRA BP’s reducing CIR and MRR balances up to 2025/26. It was expected that once the sites had been developed the rental income would improve the long-term projections for the HRA BP significantly and was likely to improve the capability to repay more of the Self-Financing Debts.

Nevertheless, the short term negative financial impact on the HRA was material and must have been noted where large parcels of land were purchased, especially when there was a significant time lag between purchase and sales or occupation of homes taking place to generate rental income. Alternative delivery models were also being explored that might enable the land to be developed outside the limited capacity of the HRA BP or in partnership with other entities.

The ongoing construction and acquisition projects for new homes aimed to offset the projected reduction in the HRA stock resulting from continuation of Right to Buy sales at current levels. The below table showed the anticipated total stock changes as at 2071/72 including potential additional dwelling acquisitions and developments being explored as part of the Councils ambitious housing development plan.

Term	Approved New Build Homes in the HIP & BP	Buy Back of Ex Council Homes	Right to Buy Sales & other Stock Loss	Net HRA stock reduction
2022/23 to 2071/72	+673*	+111	-1,670	-886

* Assumes all ongoing and previously approved plans were maintained.

The model above demonstrated that even with the potential 784 additional dwellings the net HRA stock reduction was still 886 dwellings in deficit over the 50-year plan. To negate the losses from Right to Buy, an additional 886 dwellings would need to be acquired.

The Council entered the Right to Buy Capital Receipts Pooling arrangement with MCHLG in 2012 in line with HRA Self Financing legislation. As part of the agreement the Council was only able to retain a predetermined % of the Right to Buy Capital Receipts which was meant to be how the Council re-acquired replacement housing stock which was lost through Right to Buy. The level of an authority's retainable RTB receipts in any year also known as 1-4-1 Capital Receipts was the total amount of its Right to Buy Sales receipts it could keep to buy replacement housing stock.

An excerpt of the Councils receipts retained in 2021/22 were noted below to demonstrate that in reality, these receipts were not adequate to enable the purchase of replacement housing at the rate it was lost, only the Buy Back and 1-4-1 allowances could be retained by the HRA to purchase new dwellings:

RTB Pooling Summary	£	%
WDC HRA Transaction Cost	33,800	1
WDC HRA Debt contribution	668,743	19
WDC General Fund share (any purpose)	409,530	11
WDC Buy Back allowance	96,739	3
WDC 1-4-1 allowance	1,391,547	39
Treasury share	960,966	27
Cumulative Total Receipt	**3,561,325**	**100.00**

26 Properties Sold - Amount of buy back and 1-4-1 receipts to purchase replacements per property	57,242

From 1 April 2021 the Ministry of Housing, Communities and Local Government (MHCLG) changed the rules in the Right to Buy (RTB) Pooling Receipts Retention Agreements between the Secretary of State and authorities under section 11(6) of the Local Government Act 2003 to enable them to retain increased RTB receipts and made amendments to the Local Authorities (Capital Finance and Accounting) Regulations 2003 that came into force on 30 June 2021.

A summary of the changes affecting the HRA BP were:

- The timeframe local authorities needed to spend new and existing RTB receipts before they breached the deadline of having to be returned to Central Government has been extended from three years to five years on the understanding this would make it easier for local authorities to undertake longer-term planning.
- The percentage cost of a new home that local authorities could fund using RTB receipts was also increased from 30% to 40% to make it easier for authorities to fund replacement homes using RTB receipts, as well as making it easier to build homes for social rent.
- Authorities could use receipts to supply shared ownership and First Homes, as well as housing at affordable and social rent, to help build the types of home most needed in their communities.

The Councils Policy was to spend the 1-4-1 capital receipts in line with the new 40% rule within the five-year deadline on housing acquisition and development schemes as the RTB pooling rules would allow. Prior to this policy change the Council always managed to meet the deadlines associated with the three-year rule. Appendix 4 to the report showed that the balance of any remaining receipts in the five-year cycle would be used to support housing construction/acquisitions within the plan.

There was no such repayment time limit on the Councils Buy Back capital receipts, the Council had ensured they were used annually in line with the 50% funding rule to reduce the cost of acquiring former Council Homes. A number of options would continue to be considered to mitigate the reduction in HRA stock including:

- Acquisition of existing homes.
- Acquisition of s106 affordable homes.
- Redevelopment of existing HRA homes.
- New build on Council owned land, including garage sites.
- New build on acquired land.
- Joint venture options.
- Buy Back of Social Housing.

The Council had officially been awarded "Affordable Housing Investment Partner" status from Homes England (HE) in 2020. Where available, grant would be sought to support currently approved and potential new housing schemes to lessen the impact on the HRA BP. Appendix 4 to the report showed that £6.5m further grant would be received and this was on top of the £4.066m in grant already received in the last two financial years to support the funding of schemes.

Due to this new agreement with HE and to ensure that all future acquisitions remained viable, all future Affordable Housing Acquisitions linked with Homes England would need rents to be set at the national standard of Affordable rents which were 80% of local market rents. Existing Affordable Housing tenants housed in the HRA's current affordable schemes would continue to pay the historic "Warwick Affordable" rents for the remainder of their tenancy which were charged at a mid-point between Local Market Rent and Social Rent to buffer the impact of this change. This policy change was approved in the HRA Rent Setting report in February 2021 and was assumed in the HRA BP projections.

As part of the HE capital grant conditions, the Council had a new legal responsibility to maintain a recycled capital grant register in the case that the HRA ever disposed of any land or dwellings which were funded using HE Affordable Homes Grant. In the case of a RTB sale or sale of land the Council needed to either pay back the capital receipt to HE or recycle it and reinvest it by purchasing a replacement affordable home compliant dwelling. This register would be maintained in perpetuity for as long as the dwellings and land were held on the Council's HRA asset register. It was expected that Right to Buy sales to dwellings purchased using HE grant would only start in 7-15 years when the new build dwellings became affordable to tenants with longer RTB discounts.

It had recently been investigated that where HE grant was used to fund an affordable housing scheme an exemption from the RTB pooling agreement could be claimed to enable the Council to remain more of the capital receipt if RTB sales occurred on new build stock. If this was found to be an exemption that the Council could claim it was recommended that this was implemented to improve the financial viability of the HRA PB and its ability to purchase replacement housing stock lost though RTB.

The Council and registered providers could purchase affordable, social rent and Shared Ownership dwellings from developers at below market value as they were subsidised by the Homes England Affordable Homes Programme 2020-2024. It was usual for a mix of social, affordable, and shared ownership dwellings to be sold in a pre-agreed mix in line with planning regulations. This enabled the Council to increase stock numbers by enabling the dwellings to be purchased at below market value to enable the Council's HRA to fund the purchase using the reduced levels of social and affordable rents which needed to be charged to tenants residing in social and affordable dwellings.

When shared ownership dwellings were purchased as part of affordable homes acquisitions, the Council's HRA needed to find buyers to purchase between 10-25% of the dwelling initially and then pay a % of market rent for the remaining % of the dwelling. This initial % purchase in turn generated a capital receipt for the Council's HRA which was retained to cross subsidise the cost of the Council purchasing the dwellings in such schemes. The shared owners were then able to buy a further % of the dwelling known as "staircasing" until they owned 100% or a locally capped % of the dwelling in some circumstances. There was no requirement for the owner to purchase latter % shares, Appendix 4 to the report showed that £7.570m was anticipated from shared ownership sales in the 10-year HIP.

All shared ownership capital receipts needed to be retained by the Council's HRA to ensure the HRA BP remained viable and such receipts were reinvested to reduce acquisition expenditure.

Industry experts Savills had advised the negative impact of the cost-of-living crisis and Covid-19 pandemic would be felt for three to five years due to fluctuating rent inflation and increased rent arrears due to the economic uncertainty. Appendix 6 to the report showed an analysis of the changes in rent arrears from 2019/20 to 2020/21 using an extract from the Council's Financial Statements. Net arrears had increased by £118k, however this had not negatively affected the bad debt provision which only changed by £9k in the last financial year.

During the Pandemic, smart rent arrears software was purchased which had resulted in minimal arrears increases alongside introducing a number of approaches to reduce the levels of arrears caused by the Covid-19 pandemic. It was anticipated that this was a temporary increase in arrears would return to pre-pandemic levels in due course as the economy recovers.

The HRA BP would continue to be carefully monitored, the stock condition information maintained and improved, and an annual review of the underpinning assumptions undertaken to allow any further revisions to be reported to Cabinet as part of the HRA budget setting process. However, Members should have noted that there was still a considerable level of uncertainty in respect of the current volatile economic conditions, high inflation and the financial impact of Covid-19, prudent assumptions had been factored into this model as noted in Appendix 1 to the report but if the economy did not recover fully in the next 3-5 years, this could impact the BP further and might impact the HRA's ability to provide the same level of Climate Change and Stock Condition works.

In terms of alternative options, the assumptions underpinning the HRA BP could be left unchanged from those that underpinned the version approved by Cabinet in 2021. This had been rejected as it would result in the BP not reflecting the most up to date policies, strategies, and research on the conditions of the local housing and land markets. The plan would therefore not be able to deliver services in a way that was viable, maintain services and service the debts taken on by the Council.

Members could choose to vary the assumptions within the HRA BP or agree alternative policies, service standards and investment options. If these alternative options were financially viable and deliverable, the HRA BP could be amended. However, officers consider that, given the uncertainties around what would ultimately emerge into legislation from the Housing and Planning Act, it would be prudent to retain the current assumptions and policy positions that underpinned the HRA BP at this stage.

The Overview & Scrutiny Committee noted that this had been an important and substantial amount of work and thanked officers.

The Committee asked that the new Council should consider how finance, particularly Housing finance, should be scrutinised to be effective.

How finance should be scrutinised would be added to the Committee's Work Programme for consideration by the next Overview & Scrutiny Committee.

Councillor Matecki proposed the report as laid out.

Recommended to Council that

(1) the revised HRA BP assumptions, as set out at Appendix 1 to the report, and the revised HRA

BP projections for the 50-year period 2022/23 to 2071/72, as set out at Appendix 2 to the report, be approved; and

(2) the revised 10-year Housing Investment Plan (HIP) capital budgets noted in Appendix 4 to the report for the construction and acquisition of new Council housing and funding for major works to housing stock, along with the associated capital financing funding plan which is also incorporated into the figures presented in Appendix 2 to the report, be approved.

(The Portfolio Holder for this item was Councillor Matecki)
Forward Plan Reference 1,353

(The meeting ended at 8:01pm)