REPORT TO:	**CABINET** **21 March 2022**
SUBJECT:	**HRA 30 Year Business Plan**
LEAD OFFICER:	**David Padfield – Interim Corporate Directors of Housing** **Stephen Tate - Director of Housing Estates and Improvements**
CABINET MEMBER:	**Councilor Patricia Hay-Justice** **Cabinet Member for Homes**

SUMMARY OF REPORT:

The report presents a new 30 year Business Plan for the Housing Revenue Account (HRA) with consideration to both capital and revenue investments required for the management and maintenance of Croydon Council's housing stock.

FINANCIAL IMPACT

The Business Plan demonstrates that the investment proposals are fundable, subject to the assumptions within the plan, and that the HRA remains sustainable and viable over the 30 year period.

FORWARD PLAN KEY DECISION REFERENCE NO.:

1. RECOMMENDATIONS

Cabinet are asked to:

1.1 Note the HRA 30 year Business Plan based on the previously agreed HRA revenue budget for 2022-23

1.2 Note the assumptions the plan is based upon and the risks associated to these assumptions

1.3 Note the proposals for the ongoing development of the HRA Business Plan and agreed that the Plan will be updated annually with a full review every third year.

2. EXECUTIVE SUMMARY

2.1 The Housing Revenue Account (HRA) 30 year Business Plan sets out the long term financial position of this ring-fenced general fund account.
Whilst the HRA Business Plan is for a period of 30 years, the key focus is on the medium-term (first five years) as there is more certainty on costs, demands, resources and pressures, to enable the prioritisation of housing investment.

2.2 The medium term also considers the strategic objectives of the Council and the impact of Government policies on rents, disposals and regeneration. The Plan is constantly evolving and the impact of the updated Decent Homes Standard and implications of the Government's Social Housing White Paper will be factored into the next iteration of the plan.

2.3 The key elements of the HRA financial operations are set out below and are brought together within the Plan. The Plan will be used as a tool to assess the impact of decision making around stock acquisition and maintenance, long-term treasury management strategy and wider strategic options of the Council.

2.4 The borrowing within the Plan in the short term is to finance acquisitions of new stock. No other borrowing is modelled at this point and will be carried out in accordance with the Council's Treasury Management Strategy.

2.5 The Plan has had a full refresh and a change of approach in some aspects, notably a review of inflationary assumptions, it will be updated on a regular basis incorporating changes in stock conditions and other factors.

2.6 The Business Plan is limited in scope to those assets that sit within the HRA or on HRA owned land as detailed Appendix 1 and in summary in Table 1.

Table 1 Rent and Tenure Type

Asset Type	Rent/Tenure Type					Grand Total
	General Rent	Leased & Managed Properties	Leaseholders	Serviced Tenancies	Vacant Pending Demolition	
Dwellings	14,572	342	2,507	12	0	17,433
Non dwellings (inc. garages)	2,765	0	0	0	94	2,859
Grand Total	**17,337**	**342**	**2,507**	**12**	**94**	**20,292**

3. HRA BACKGROUND

3.1 The HRA specifically accounts for revenue expenditure and income relating to the Council's own housing stock and is ring fenced from the Council's General Fund as required by the Local Government and Housing Act 1989, which specifies the items that can be charged and credited to it. The account must include all costs and income relating to the Council's landlord role (except in respect of leased accommodation for households owed a homeless duty, and in respect of accommodation provided other than under Housing Act powers).

The Council has a legal duty to budget to ensure the account remains solvent and to review the account throughout the year.

3.2 The Housing self-financing system was implemented on 1 April 2012 when the HRA subsidy scheme was abolished. At that point Croydon took on £223million of debt. In the interim, acquisitions within the HRA have been made and the opening debt in the Plan in 2021-22 is £322.5million.

3.3 Maintaining a residential property portfolio of this magnitude is a major financial commitment. Furthermore, the primary source of funding to meet this commitment is rent paid by tenants and the Council is strictly limited as to the extent it can raise these rents. It is therefore of the utmost importance that the Council is clear as to how it intends to balance income and expenditure over time to ensure the property portfolio receives the level of investment it requires and borrowing stays within the necessary prudential limits.

3.4 As well as investing in our housing stock to ensure all residents' homes are safe, warm and dry, the Council will also wish to improve its housing stock and invest in significantly reducing its carbon footprint over the life of the Plan. Further property acquisitions and regeneration projects are also likely to require funding during this period.

3.5 The HRA Business Plan is therefore a vital document in the proper management of our homes and will form the basis of a new Asset Management Strategy to be prepared later this year.

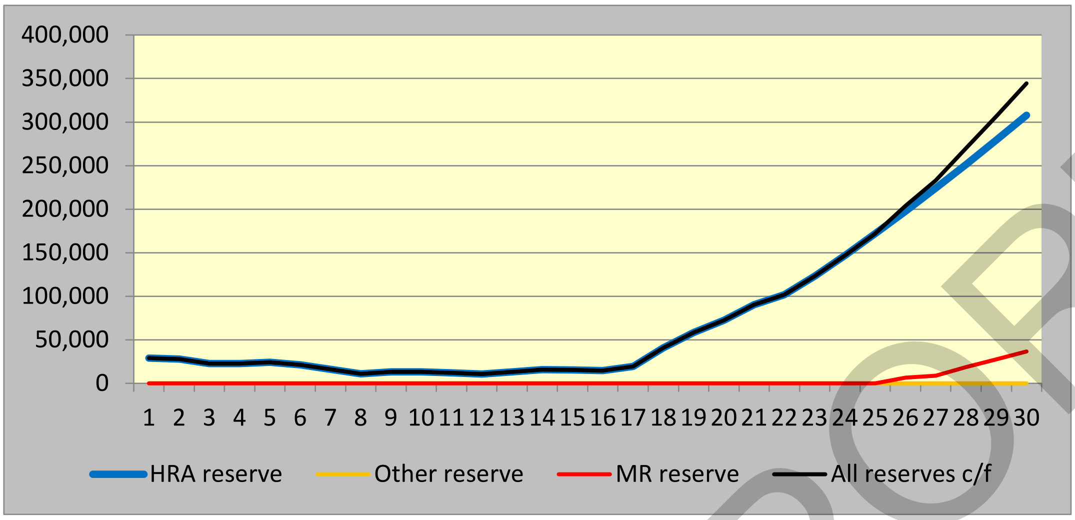
3.6 This report summarises the latest 30-year HRA Business Plan. The report includes financial analysis to demonstrate the viability and sustainability of the Plan.

3.7 Each year the Council will review, update and approve the Plan in line with best practice and the wider Improvement Plan contained at Appendix 8. A re-profiling of capital expenditure proposals and updates on how the Council plans to finance the capital programme including use of surplus capital receipts, grants and HRA borrowing, will also be carried out annually. It is envisaged that a complete review of the Plan will take place at least every third year.

4. BUSINESS PLAN KEY HEADLINES

4.1 The HRA Business Plan in its current format presents a sustainable plan. With the current HRA reserves used to meet the investment required for the capital repairs programme. Figure 1 shows the projection of the reserves position over the plan period demonstrating a healthy outturn, risks to this outturn are highlighted in section 5.

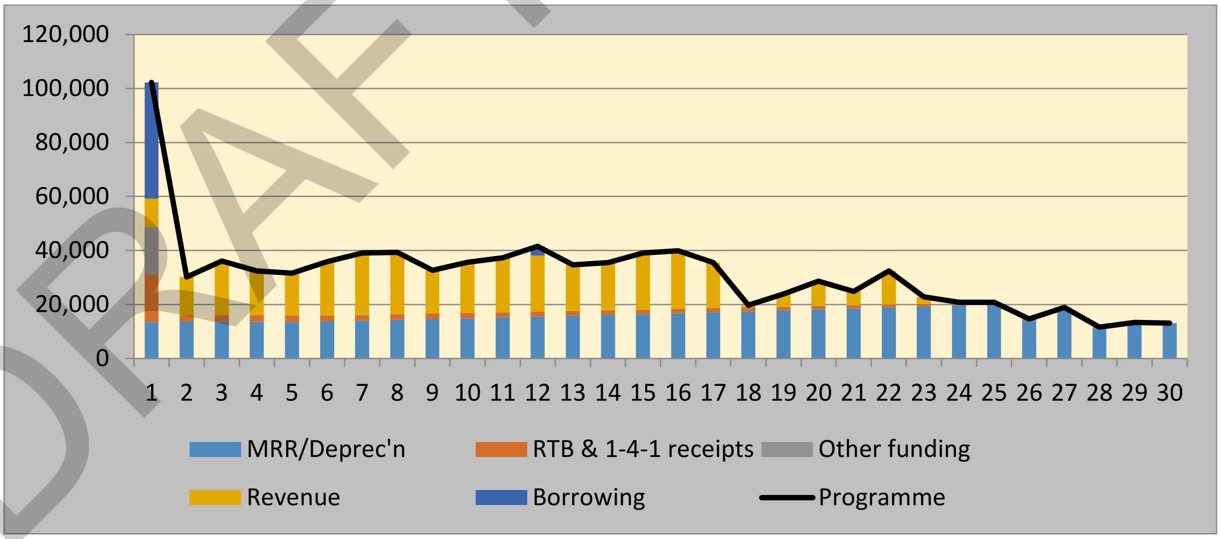
Figure 1 Revenue Projection shows the years of the plan and the growth in reserves.



4.2 The plan is based on the assumptions and risks as set out in section 5 with expenditure based on CPI and rents of CPI +1% in the years 2022 to 2024 and thereafter CPI only.

4.3 The HRA capital programme in Year 1 (2021-2022) is based on the current budgeted plan of £26.7m any slippage from this will be carried forward into 2022-23. The capital programme for Year 2 of £22m is set out in section 5.7 below.

4.4 Borrowing in Year 1 only is assumed. Figure 2 provides an overview of the use of borrowing in Year 1 only and thereafter the projected ability of the programme to be met from within the HRA's own resources.



4.5 The opening HRA reserves are £27.6m and a minimum HRA reserve threshold level of £8.6m is set based on generally accepted best practice in the market of 10.5% of annual turnover.

4.6 Croydon benchmark to the outer London average costs and other key metrics are measured and shown in Appendix 2

5. BUSINESS PLAN KEY BASELINE ASSUMPTIONS

5.1 Key rate assumptions and comparatives to outer London averages used are set out in Appendix 2

5.2 **HRA Revenue**
The Council has assumed as per Appendix 2 that rents will increase by CPI plus 1% and based on the assumption of RTB losses Appendix 4 will provide rental income of £79m in Year 1 (2021-22) Appendix 3.

Revenue expenditure is anticipated to increase largely due to inflationary factors. These key assumptions are used to set the below (Table 2) HRA Business Plan Year 1-5 income and expenditure account.

Table 2 Year 1-5 HRA Income and Expenditure Account

	2021-22	2022-23	2023-24	2024-25	2025-26
	£'000	£'000	£'000	£'000	£'000
Dwelling rents	78,878	82,438	84,852	87,032	88,399
Non-dwelling rents	1,781	1,852	1,889	1,927	1,966
Service charge income	6,026	6,064	6,185	6,309	6,435
Other income and contributions	3,690	3,763	3,839	3,915	3,994
Total income	**90,375**	**94,117**	**96,765**	**99,183**	**100,794**
Repairs & maintenance	13,437	13,799	14,044	14,293	14,547
Management (incl RRT)	38,679	39,453	40,242	41,047	41,868
Bad debts	750	765	860	882	896
Dwelling Depreciation	13,488	13,659	13,599	13,538	13,478
Debt management	149	149	149	149	149
Total costs	**66,503**	**67,825**	**68,894**	**69,910**	**70,937**
Net income from services	**23,871**	**26,292**	**27,871**	**29,274**	**29,856**
Interest payable	- 12,119	- 13,076	- 13,016	- 12,973	- 12,948
Interest income	-	-	-	-	-
Net income/expenditure before appropriations	**11,753**	**13,216**	**14,855**	**16,300**	**16,908**
	-	-	-	-	-
Set aside for debt repayment	-	-	-	-	-
Revenue contributions to capital	- 10,501	- 14,059	- 20,003	- 16,410	- 15,568
Allocation to/from other reserves	-	-	-	-	-
Other appropriations	-	-	-	-	-
Net HRA Surplus/Deficit	**1,252**	**- 844**	**- 5,148**	**- 110**	**1,340**
	-	-	-	-	-
HRA Balance brought forward	**27,629**	**28,881**	**28,037**	**22,889**	**22,779**
HRA surplus/(deficit)	1,252	- 844	- 5,148	- 110	1,340
HRA Balance carried forward	**28,881**	**28,037**	**22,889**	**22,779**	**24,119**

The HRA surplus of £1.25m will be a balanced position this table to be updated for P10 outturn

5.3 The Repairs and Maintenance budget of £13.4m is made up of responsive and cyclical repairs. Further details of repairs of existing stock and compliance to legislative changes is set out in alongside the Housing Improvement Plan in Appendix 6

5.5 In response to the emphasis on compliance and fire safety an increase in the budgeted spend within the management costs for staffing with this expertise has been included.

5.6 Bad debt and voids are provided for within the plan on the basis of 1% and 1.5% respectively, see Appendix 2 for the basis of the assumptions used. They are based on a percentage of rental income and at a prudent level.

5.7 The interest payable of £12m is based on the existing debt of £322.5million at interest rate of 2.65% (actual of 2.5%) and assumes an additional £43m in 2021-22. Thereafter debt remains constant. Section 6 Future Considerations, recognises the need to set prudential indicators for financing as well as debt and acquisitions policies.

5.8 **HRA Capital**

The long-term 30 year capital forecasts are based on the current status of the asset management database, which includes a significant provision for backlog expenditure which has been allocated over the next 15 years. Work is ongoing to ensure the accuracy of the database and will be backed up by commissioning an external stock condition sample survey to be uploaded to the new IT system. Coupled with the likely introduction later this year of the updated Decent Homes Standard the expenditure profile will change from that modelled in the plan.

Whilst, in overall terms, the expenditure over 30 years is in line with sector benchmarks it is possible that expenditure may be brought forward or delayed in conjunction with accessing delivery capacity. In addition further work is required to establish the costs for improving the energy efficiency of the stock to assist in meeting the Council's targets for zero-carbon. The next iteration of the HRA business plan will incorporate the results of this work, the impact in terms of future borrowing requirements and the approach to defining HRA prudential borrowing limits.

It will align with the Asset Management strategy (due for release at the end of 2022) and will reflect the longer term direction for the management and maintenance of our assets.

The Council will deliver a capital programme that ensures that residents' homes are warm, dry, safe and hazard free. We will work with residents to consult on the work that we intend to carry out and include them in determining our future investment. Details of our Resident Engagement Strategy will be published in 2022.

The 2022-23 plan for capital investment is included in Appendix 5

The programme will be geared to deliver for Croydon residents, stock that meets and reflects the current Decent Homes requirements and keeps pace with regulation and legislative updates shown at Appendix 11.

5.9 **HRA Reserves**

Croydon has a healthy opening reserves position sets an opening balance at the start of the Business Plan at £27.6m. This reserve balance contributes towards funding any in-year risks and is set aside to support any one-off projects and investment that leads to efficiencies and/or delivery of a better service to residents of the Council

The year on year projected use of the HRA reserve over the next 5 years along with contributions towards the reserves balance is maintained.

5.10 The Planned Capital Programme will draw down from the Major Repairs Reserve within the HRA reserves to fund the works. The HRA is expected to maintain a minimum level of reserves £8.6m the basis for this is set out in Appendix 2

5.11 A development and acquisition policy is required the current iteration of the business plan has no such programme assumed, however there are proposals for future activity included in Appendix 7

5.11 An opening debt balance of £322.5million, largely as a result of the 2012 legislation to make HRA self-financing. A debt repayment plan will also be modelled for future plans, Appendix 7

5.12 There is an assumed level of Right to Buy and stock loss of 13% over the 30 years of the plan. The details are set out in Appendix 4. Use of RTB receipts are accounted for within capital. It is open to a Council to use those RTB receipts for HRA purposes, which is the assumption within this plan, but there is no obligation to do so.

6. FUTURE CONSIDERATIONS

6.1 The Housing Improvement Plan shown at Appendix 6 relies on a robust HRA Business Plan in order to ensure that it can be resourced. There are a number of key considerations as follows:

6.2 An Asset Management Strategy

A detailed Stock Condition Database is a key element and driver for the expenditure within the plan. The Council is investing in a new IT system to make the data that is available on which the stock conditions are based more comprehensive and reliable.

Improvements to the way in which we collect and analyse data as part of stock condition surveys will be implemented. Repair requests will be interfaced between the council's housing system and repair partnering contractor with almost "real time" correlation. Planned works will be instructed through the planned works module and directly linked to the council's financial system.

A number of condition surveys and reports have already been commissioned for our high rise blocks. These have been shared with residents and followed with a short and medium term investment programme.

6.3 Future provision & regeneration

The council needs to determine how it will acquire properties in the short, medium and long term. Finances, policies and procedures need to be put in place to ensure that any acquisitions are properly resourced both financially and in terms of staffing capacity/qualifications. Properties should be acquired in conjunction with specific housing needs and demand - both current and projected

Currently, new build properties are acquired via the Council's shared ownership of Brick by Brick. The remaining contracted sites are scheduled for completion in 2024. After this time, there is no arrangement or financial provision to build or acquire properties inside or outside the HRA

With an ageing stock and continual change in housing standards and needs, it is inevitable that some of the housing stock at some point will be unviable to repair. Where large proportions of this stock is situated on existing housing estates, the council may decide that estate regeneration should be considered. In order to facilitate this, the council needs to formally agree the strategy, processes, gateways and governance procedures in conjunction with a suitable resident offer.

6.4 Changes to legislation

There are a number of fundamental Government Policy decisions and potential legislative changes in process which will have a significant impact upon HRA and future HRA Business Plan updates. While the impact of the changes are not yet fully known there is within the Capital investment programme spend a budget provision for the Councils best current assessment of what actions will be required. Appendix 8

Social issues and The Social Housing White paper Appendix 8 and preparations for implementation of recommendations where possible will be considered.

7. BUSINESS PLAN KEY RISKS

7.1 Long term future rent uncertainty – we have seen the impact of the 4 year rent freeze and any rent reductions will have an impact on the Business Plan.

7.2 Increase costs of repairs and major works. Overspends to budget occur which place an increased burden on the HRA. Although it should be noted that the plan is not wholly and contractually committed therefore the Council can control the level of spend within the plan.

7.3 Management options that are used to mitigate additional risks include annual updates to the business plan.

7.4 Further changes in government legislation Appendix 8. The Hackitt review of building and fire safety has been published however the new legislation and statutory guidance it requires has been delayed and will need to be reflected in future revisions to the Business Plan.

7.5 Borrowing and interest rates. The Business Plan does not have a repayment of debt instead an assumption of refinancing of loans as they become due. While interest rates for borrowing remain at low levels this results in a lower cost to service the debt however this will require prudent management.

7.6 Prudential borrowing indicators are required as a result of the removal of the debt cap from the HRA. The Business Plan has a prudent position with 3 metrics showing there is future borrowing capacity however prior to any borrowing the indicators will be set

7.7 Sensitivity analysis has been carried out on the plan at mid point Year 15 and final Year 30 see table 3.

A number of variations on inflation and other baseline assumptions have been flexed to predict the impact on the HRA reserves balance by the movement and the impact on the HRA debt levels.

For example the HRA reserves would drop to £11.35m with a repairs inflation of CPI +5% in years 2-5 and the HRA debt would increase to £422.84m in order to sustain the levels of repairs required.

Table 3 Sensitivity Table

Sensitivity	**HRA Bal Yr 15**	**HRA Debt Yr 15**		**HRA Bal Yr 30**	**HRA Debt Yr 30**
	£'m	£'m		£'m	£'m
Base	**15.29**	**369.05**		**344.43**	**369.05**
Repairs Inflation yrs 2-5 CPI+5%	11.35	422.84		236.71	432.59
Capital Inflation yrs 2-5 CPI+5%	11.35	502.48		195.14	528.64
Rents CPI Only yrs 3 & 4	11.35	391.10		296.08	394.60
Rent freeze from 2022-23	8.95	402.06		95.98	409.97
Voids & Bad Debts +1%	11.35	392.95		294.24	396.57
Long-term Loans +1%	14.69	369.82		319.70	369.82
Capital Expenditure +10%	11.35	419.59		285.53	426.93
Right to Buys +10%	14.87	368.47		336.07	368.47
Acquisitions of 50 per year, yrs 3-8 £300k per unit, 40% Subsidy at LAR	18.02	410.39		364.79	410.39
L/H Recharges 50%	14.09	371.79		336.34	371.79

8. HUMAN RESOURCES IMPACT

8.1 There are no immediate HR impacts or implications arising from this report

Approved by: Dean Shoesmith, Chief People Officer

9. EQUALITIES IMPACT

9.1

(Approved by: *[A N. Other]* on behalf of the Director of Equalities)

10. ENVIRONMENTAL IMPACT

10.1

(Approved by: *[A N. Other]* on behalf of the Director of XX)

11. CRIME AND DISORDER REDUCTION IMPACT

11.1

(Approved by: *[A N. Other]* on behalf of the Director of XX)

12. DATA PROTECTION IMPLICATIONS

a. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

YES/NO

(If yes, please provide brief details as to what 'personal data' will be processed and complete the next question).

(If no, please complete the sign off)

b. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

YES/NO

(If yes, please attach a copy).

CONTACT OFFICER:

Guarnori, Orlagh, Head of Finance, Resources.

APPENDICES TO THIS REPORT

Appendix 1 Details of HRA Tenant type
Appendix 2 Business Plan – Key assumptions
Appendix 3 HRA Rental Income Budget
Appendix 4 Right to Buy
Appendix 5 Programme of Repairs of Existing Stock
Appendix 6 Housing Improvement plan update
Appendix 7 Acquisitions & Debt repayment and modelling
Appendix 8 Legislation changes

BACKGROUND PAPERS

None.

Appendix 1 Details of HRA Tenant type

Table 1 Rent/Tenure Type

Asset Type	Rent/Tenure Type					Grand Total
	General Rent	Leased & Managed Properties	Leaseholders	Serviced Tenancies	Vacant Pending Demolition	
Blocks of Flats	1,128	3				1,131
Caravan Plots	19					19
Caravan Sites	1					1
Dwellings	13,424	339	2,507	12		16,282
Garages	2,533				94	2,627
Garage Blocks	104					104
Parking Spaces	107					107
Playgrounds	21					21
Grand Total	**17,337**	**342**	**2,507**	**12**	**94**	**20,292**

Notes to the above:

General social rent includes general needs, sheltered and extra care schemes. Leasehold costs are paid on behalf of leaseholds and then recovered via service charge billing (in arrears).

Within the HRA are a number of other provisions such as shared ownership, affordable rent and other rents such as community and commercial provisions.

The HRA also supports and manages the provision of statutory required services such as temporary and emergency accommodation and traveler sites, with some provision being made within HRA dwellings/assets along with other non-HRA private leasing schemes.

Appendix 2 Business Plan – Key assumptions & Benchmark to outer London

	Assumption	Notes
Dwelling Rent	CPI + 1% Increase in rents from 2022 to 2024 and CPI only thereafter	
Void rates	2%	
Service Charges	CPI + 1% Increase in rents from 2022 to 2024-25 and CPI + 0.5% increases from 2025-26	Full service charge review to be carried out in 2022
Non dwelling rents	CPI + 1% Increase in rents from 2022 to 2024 and CPI only thereafter	
Garage Rents	CPI + 1% Increase in rents from 2022 to 2024 and CPI only thereafter	Review of long term void garages required with demolitions and infills decisions in 2022
Major Works Leaseholder Contributions	Linked to Capital Programme	
Repairs and Maintenance Costs	RPI increases	
Heating and hot water charges	RPI increases	
Interest rate on borrowings	2.65% on External Borrowing Year 12 onwards 3.5%	
Depreciation	Straight Line Basis over life of Assets	

Other Assumptions:

HRA Bad Debt Provision:
The Plan provision for bad debts is calculated based on a percentage of rental income to reflect rent increases, resulting in greater levels of provision. The provision rate of 1% in Year 1 is used and 1% thereafter is based on the current actual debt recovery.

HRA Voids:
The Plan provision for Voids is calculated based on a percentage of rental income to reflect rent increases. The provision rate of 1.5% is based on the current void rate and for prudence remains at 1.5% in each of the following years.

Garage voids further review of the garages that are long term void will be carried out in 2022 with a view to decisions on demolition and use of the space for parking bays to be considered.

Other long term voids are reviewed as part of the overall stock analysis

Major Repairs Reserve
The Business Plan assumes that any existing components beyond their theoretical lifespan are considered as backlog and due to be replaced on a comparable basis

The HRA has prior year reserves, these funds will be used if required.

The HRA does not go below the pre-set minimum balance of £8.6million (inflated on an annual basis) in any year of the plan. The overall trajectory of revenue reserves is however upwards towards the end of the 30-year term.

The Minimum HRA Balance is based on a 10.5% annual turnover and will allow for 1.5 months of total operating expenditure. It assumes a base cover of £642 per unit

Outer London Borough Benchmarks (14 out of 15)

Metric	Croydon 2020.21	Outer London 2020.21 Average
Rented Properties	13,393	9,521
Gross Management per unit	£3,182	£2,726
Net Management (less service charges) per unit	£2,360	£1,910
Repairs per unit	£762	£1,116
Gross Management and Repairs per unit	£3,944	£3,842
Depreciation per unit	£903	£1,206
Average Rent (52 week basis)	£106.24	£106.40
Other (non-Service Charge) Income per unit	£110	£348
Operating Surplus per unit	£1,760	£1,412
Operating Margin	26.6%	21.9%
Debt per unit	£26,429	£18,740
Interest per unit	£904	£807
Interest Rate	3.42%	4.31%
Reserves per unit	£2,063	£2,313
Existing Use Value per unit	£76,658	£86,887
Interest Cover Ratio	1.95	1.75
Loan to Value	35%	22%
Debt: Turnover	4.0	2.9

Appendix 3 HRA Rental Income Budget

HRA Rental Income Budget:

The Housing Revenue Account (HRA) is a ring-fenced account used to manage income and costs associated with managing the Council's owned housing stock and related assets which includes shops and garages on council housing estates. It is funded primarily from tenants' rents and service charges.

An average social rents are taken as the basis for the report, Table 2 sets out the weekly actual social rent charges. The average rent of £xxx is as per the Cabinet agreed (7 February 2022 meeting) rent charges, an increase of 4.1% for the 2022-23 year. The business plan is based on the assumption of 13,432 properties and assumes a CPI & 1% thereafter with CPI set at X% to April 2024 and CPI only for the remainder of the plan.

Table 3 shows the impact of the rental increase on additional income. The use of the revenue income to fund the contributions to capital for major repairs is set out in section XX of this report. Table 3 sets out the total budgeted income to the HRA from rents and other charges for 2022-23.

Table 2 Social Rents p/w 2022-23

Bedroom Size	Average rent 2021-22 - £ p/w	Average rent 2022-23 with Increase - £ p/w	Increase - £ p/w
0 Bedsit	77.11	80.27	3.16
1	92.89	96.70	3.81
2	110.88	115.42	4.54
3	133.02	138.47	5.45

Table 3 Summary of Housing Rent Budgets for 2022-23

Type of Rent/Charge	Rents for 2022-23 with 4.1% Increase	Rents for 2021-22 (as at Apr 21)	Additional Income
	£'s	**£'s**	
Housing Dwelling Rents	£78,662,349	£75,250,856	£3,411,493
Housing Service Charge	£4,352,429	£4,154,111	£198,318
Parking Space Rents	£39,940	£38,367	£1,573
Garage Rents	£1,827,580	£1,756,726	£70,854
Heating Charges	£551,592	£509,304	£42,287
	£85,433,889	**£81,709,365**	**£3,724,525**

Appendix 4 Right to Buy property losses

HRA Right to Buy Receipts:

The Plan has an opening assumption of 13,432 properties and assumes an annual loss of 60 properties through right to buy for each of the remaining years. That results in a 13% stock loss over the 30 years. No other stock losses are modelled in the plan.

Although there are a total of 280 properties are forecast to be acquired by the HRA within the current financial year 2021-22 no further acquisitions have been assumed.

The Plan has used the audited actual returns submitted to the department. The opening balance on reserves of RTB receipts is £14.5m. Table 4 sets out the impact of the assumption of continued sales through RTB.

In April 2021 the regulations on the use of RTB receipts were updated, there is now a 5 year window available rather than 3 under which to use the allowable receipts. The Plan allows for the legislation changes and Table 5 sets out the impact and the need for an acquisition policy to be implemented by 2027-28 in order to avoid making a return of unused receipts to Treasury.

Table 4 Assumed Reserves

1-4-1 Reserve	Actuals	Projected	Projected	Projected
	2020-21	2021-22	2022-23	2023-24
Opening Balance	11,685,942	14,491,401	11,503,653	16,969,219
Additions	2,805,459	5,289,553	5,465,566	5,645,365
Assumed Usage	-	8,277,300		
Closing Balance	14,491,401	11,503,653	16,969,219	22,614,585

Table 5 Assumed Receipts v Spend

Receipts v Spend	Projected	Projected	Projected	Projected	Projected	Projected	Projected
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Total Receipts in reckonable Year	24,786,513	33,605,814	42,124,698	47,327,490	53,879,729	59,169,281	64,634,847
30%/40% of Relevant Expenditure	62,047,103	62,047,103	62,047,103	62,047,103	62,047,103	62,047,103	62,047,103
Refundable to Treasury (Excluding Interest)	**0**	**0**	**0**	**0**	**0**	**0**	**2,587,745**

Appendix 5 Programme of Repairs of existing stock

Table 8 2022/23 Capital Programme

Work Type	Budget
General Building Works	**£8,368,060**
Electrical Works	**£3,390,000**
Mechanical Works	**£1,600,000**
Lift Works	**£465,000**
Window	**£3,000,000**
Compliance & Fire Safety	**£2,310,000**
Staffing	**£1,800,000**
Other	**£1,150,000**
TOTAL	**£22,083,60**

Cyclical	**£1,624,700**

Repairs of existing stock:

The council has procured a new housing database, which will combine the existing housing and asset management database into one software solution.
In addition, the council has procured several additional modules and interfaces which will not only assist in linking and reporting across key services but will both provide direct and indirect efficiencies. The works outlined in **Table 8 2022/23 Capital Programme** will be reviewed on a rolling programme and maintained.

Stock data collection in principle will remain the same but the collecting and reporting net will be cast wider, with greater visibility for all.
Repair requests will be interfaced between the council's housing system and repair partnering contractor with almost "real time" correlation. Planned works will be instructed through the planned works module and directly linked to the council's financial system.

An overarching reporting tool will sit alongside compliance, servicing and health & safety modules.

Compliance:

Within the 2022-23 HRA budget is an assumed investment in the employee's costs and specifically compliance. The intention is to enhance the capacity of the team which will then ensure that within the HRA Business Plan there is sufficient resilience built in to allow for changes in legislation and requirements.

The Business Plan has a specific line for Fire Safety. The December 2019 Queen's Speech set out proposals for two separate pieces of new safety legislation - a Building Safety Bill sponsored by MHCLG and a Fire Safety Bill sponsored by the Home Office.

The Building Safety Bill will set out new and enhanced regulatory regimes for building safety and construction products, and make provision for residents to have a stronger voice in the new system. The Bill will take forward all of the recommendations resulting from the Hackett Review of Building Safety in an enhanced safety framework for higher risk residential buildings.

The Fire Safety Bill will clarify that the Regulatory Reform (Fire Safety Order) 2005 requires building owners and managers of multi-occupied residential premises of any height to fully consider and mitigate risks of any external wall systems and fire doors which open on to escape routes.

In addition to existing duties under the Regulatory Reform (Fire Safety) Order 2005 the Fire Safety Bill clarifies the requirements of the building owners and managers of a building with two or more sets of domestic dwellings to:-

a) Share information with their local fire and rescue service in respect of each building for which they are responsible about the design of its external walls and details of the materials of which those walls are constructed, including cladding, balconies and windows.
b) Undertake annual inspections of all individual flat entrance doors that open onto common parts.

This clarification will mean that fire and rescue services can hold building owners accountable if they fail to comply with these responsibilities. The recommendations state that building owners and managers of high-rise and multi-occupied residential buildings should be responsible for:

Also within the future compliance review and contained within **Table 8 2022/23 Capital PROGRAMME** the Business Plan allows for energy efficiency. The Asset Management Plan 2019-28 sets out a number of key strategic objectives that align with wider corporate objectives of removing our residents from fuel poverty and reducing CO_2 emissions.

The Asset Management Plan sets out strategic asset objectives that align with wider corporate objectives such as declaring the Climate emergency (July 2019) and the current target of achieving an average energy efficiency or SAP rating of 68% across our housing stock every year.
The goal of achieving every property meeting at least a SAP rating of band C by 2030 aligns with central government aims, as the Clean Growth Strategy states; “We want all fuel poor homes to be upgraded to EPC Band C by 2030, and our aspiration is that, across the whole housing stock, as many homes as possible reach a similar standard by 2035, where practical, cost effective and affordable.” Clean Growth Strategy.

The Council is currently undertaking major improvement works to a number of blocks in the borough. The works include new windows, fire resistant external cladding and a Ground Source Heat Pumps (GSHP) heating system. These heat pumps will replace storage heaters that were coming to the end. The electric storage heaters are expensive to run and difficult to use for our residents. We estimate that heating bills will be significantly reduced following the works, meaning fuel poverty should also be reduced.

A GSHP system is a renewable heating system. The system extracts low-temperature energy stored in the ground using buried pipework and compresses this energy into a higher temperature which is then used to provide a home with 100% of its heating and hot water all year round.

Appendix 6 Housing Improvement plan update
Put the full plan into here
The housing improvement plan is a clearly defined project of work streams dedicated to ensuring that residents receive an enriched service.

The work streams include:

Vision & strategy for the housing service
Performance & complaints
Resident engagement
Compliance & safety
Management of repairs contract
Business intelligence, asset management & investment planning
Workforce planning & staff development
Voids management
Temporary accommodation

Each work stream has a senior accountable officer and project manager along with a series of tasks, objectives and milestones.

Once the plan is fulfilled, residents will see a significant service improvement carried out by a compassionate, qualified workforce

Appendix 7 Acquisitions & Debt repayment and modelling

An acquisitions policy will be required by 2027 in order to avoid the making payments to Treasury of unspent RTB receipts. The changes to the use of RTB legislation allows the LA to use the receipts to fund the full costs of acquisitions on:

1. Open market acquisitions – this is capped at 20 properties per year
2. Self-development of new builds
3. Grants to a registered provider to developed
4. Combination of the above.

Option 4 allows for a matching position can be taken between open market acquisitions and new development which would effectively allow for an increased number of open market acquisitions to be made.

It was agreed at March cabinet 2021 within the report setting out Croydon's General Fund and HRA budget that: '*No new capital schemes will be added to the PROGRAMME without a business case being approved, a report being submitted to cabinet and then the funds will be released subject to the revenue costs of any scheme being affordable, this applies to both General Fund and HRA capital schemes"*

Debt Repayment plan:

The HRA became self-financing and took on initial debt relating to existing Stock. Originally an additional debt was restricted by a borrowing cap which was lifted in April 2019. The Plan has an opening debt position of £322.6m

A policy is required as to whether repayment of debt should be provided for or whether the debt refinancing only will be pursued. While there is a requirement of 4% debt repayment in the general fund there is no requirement in the HRA. There is however potential for debt repayment if the plan is sufficiently stocked with new acquisitions which are profit generating.

The overall level of reserves is positive at the end of term highlighting that the plan generates sufficient revenue to meet all its obligations (but could not fully repay the full value of the HRA debt outstanding if the council so wished). This combined balance is projected at c£161million by year 30

The proposition within this analysis is that, whilst there is theoretically now no limit to borrowing within the HRA, the existing asset and operating base generates a net income stream that does offer a logical limit on sustainable borrowing levels. In setting out its investment strategy, the council therefore needs to consider how it will take decisions on whether to invest, how to fund, the extent of new borrowing, and determine a framework within which decisions will be taken for the business plan overall, within the medium term financial strategy and within successive budget rounds

HRA financing options available

1. Right to Buy Receipts
2. Conditional Grants
3. Affordable Housing Fund
4. Capital Receipts

5. Reserves and leaseholder contributions
6. Borrowing

Appendix 8 Legislation changes

The Hackitt Report

The Independent Review of Building Regulation and Fire Safety led by Dame Judith Hackitt, found that there are issues in the way some high-rise residential buildings are built, managed and looked after. Her review also found that sometimes residents are not confident that their buildings are safe and have been unable to get their concerns taken seriously. The Government has drafted a set of policy proposals to improve the fire and structural safety of high-rise residential buildings to ensure high-rise residential buildings are safe to live in and residents are able to have their voices heard.

New Legislation

Fire Safety Bill has now been passed by Parliament and is now the Fire Safety Act 2021. The Fire Safety Act clarifies the Regulatory Reform (Fire Safety) Order 2005 which requires a responsible person to undertake, and review regularly, a fire risk assessment of all non-domestic premises, including the non-domestic parts of multi-occupied residential buildings. The Fire Safety Act now covers a buildings structure, external walls, and doors between domestic premises and communal areas.

The Building Safety Bill is intended to establish a Building Safety Regulator to implement and oversee a new inspection regime for higher-risk buildings, establish a legal regime to oversee higher-risk buildings, and ensure residents have a stronger voice in the system

Social Housing White Paper
Published in November 2020, the White Paper sets out a range of standards every social housing resident should expect:

- To be safe in your home
- To know how your landlord is performing
- To have your complaints dealt with promptly and fairly
- To be treated with respect
- To have your voice heard by your landlord
- To have a good quality home and neighbourhood to live in
- To be supported to take your first step to ownership

The Government has not yet published a timetable for delivering the measures set out in the Social Housing White Paper. Some of the proposals will require primary legislation before they can be implemented. The planned Social Housing Regulation Bill will address this, however, when this legislation comes into force is not confirmed, the White Paper potentially impacts on the HRA, and the key areas are:

- The requirement for social landlords to have an accountable person responsible for health and safety

- New resident satisfaction measures with a requirement for social landlords to publish their performance against these measures annually and the Regulator will consider ways to compare organisations
- A new regime of inspections which can be resource intensive
- Review of Decent Homes Standard taking place from Spring 2021 to Summer 2022 with the view of creating a refreshed Decent Homes Standard Potential