LONDON BOROUGH OF CROYDON

REPORT:	**Homes Sub-Committee**
DATE OF DECISION	**23 October 2023**
REPORT TITLE:	**Housing Revenue Account Business Plan Principles**
CORPORATE DIRECTOR / DIRECTOR:	**Susmita Sen, Corporate Director of Housing**
LEAD OFFICER:	**Susmita Sen, Corporate Director of Housing**
LEAD MEMBER:	**Councillor Lynne Hale, Cabinet Member for Homes**
CONTAINS EXEMPT INFORMATION?	**No**
WARDS AFFECTED:	**All**

1. SUMMARY OF BUSINESS PLAN PRINCIPLES

1.1. Section 76 of the Local Government and Housing Act 1989 requires Local Authorities with a Housing Revenue Account (HRA) to set a budget for the account that avoids a deficit, using robust and valid assumptions.

1.2. There is a statutory requirement for the Council to prepare a 30-year Business Plan on an annual basis to set out the long-term financial position of this ring-fenced general fund account.

1.3. The business plan is a cashflow projection for the income and expenditure on HRA assets and sets out how we are going to deliver the services required to those assets.

1.4. It covers all the income and expenditure relating to the delivery of the Council's landlord duties. What can be charged against the income to the HRA is set out by the Local Government and Housing Act 1989 specifically the ring-fencing of the HRA from the Council's General Fund. The Council has carried out a significant piece of work over the past year to ensure that the integrity of the HRA ringfence is not compromised and carried out training so as to embed this governance.

1.5. Stock condition surveys are required to ensure that that the assets are kept to operational and are meeting the regulatory requirements.

1.6. Any debt attached to the HRA asset can be financed from the income but should satisfy the Golden Rules to ensure that the plan is viable and is a Going Concern for the 30-year period.

2. BUSINESS PLAN ASSUMPTIONS FOR CROYDON

2.1. The business plan will be based on a proposed HRA budget for 2024-25 dependent on a rent uplift being applied. September CPI will inform the % uplift but an assumption of 7% has been made currently. The Social Rent policy only runs to April 2024 therefore a prudent CPI only future years rent increase is assumed.

2.2. An inflationary cost increase of 7% has been assumed as a comparable rate with that applied to the rent uplift. The inflation rate used for the years beyond 2024-25 in the business plan are in line with the rates used for future rent increases CPI until such time as more accurate indications of inflation can be determined.

2.3. An increase in repairs expenditure will be included in the future budget recognising the significant work done to tackle our response to reports of damp and mould, treating the appearances of spores, and carrying out works to address the dealing issues. This financial year 1,605 treatments have been carried out and 219 stage 2 works have been undertaken.

2.4. The future repairs budget will also need to reflect the significant increase in volumes of repairs that have been received from tenants since the implementation of the new contracts in August 2023.

2.5. Legal Disrepair demand has also driven the pressures on the repairs budget. Currently there are approximately 550 disrepair cases in our backlog. This financial year the team have progressed through approximately 130 cases to completion. In addition, there are typically 7 new cases per week logged.

2.6. Major repairs have seen a significant increase in the demand as estate inspections have identified the requirement to carry out extensive repairs including roof replacement. The outcome of the extensive stock condition surveys is awaited and will inform the Asset Management strategy which will require funding.

2.7. Meeting the requirements set out in the Building Safety Act and ensuring the replacements and upgrades identified through Fire Risk assessments will also have a significant impact on the budgets required.

2.8. The Regulator of Social Housing (RSH) Consumer Standards implementation is required. While the RSH acknowledges competing challenges within local authorities, the core mission– that tenants should live in safe and decent homes will be enforced through the expanded consumer regulations from April 2024.

2.9. In addition, there is an expectation of increased demand as a result of the government’s £2m advertising campaign directed at residents to encourage them to report issues and make complaints as part of its efforts to improve social housing conditions.

2.10. The use of retained Right to Buy (RTB) receipts is included within the business plan to fund acquisitions. For the period 2022- 2024 Councils can retain 100% of the receipts. The plan assumes an estimated at 50 sales through RTB per annum and generates a capital receipts stream across the full 30-years of the plan.

2.11. The cost of borrowing even utilising the preferential rates for the HRA Public Works Loan Board (PWLB) remains in the region of 5%. The plan assumes the cost of borrowing as per the current year’s levels and thereafter decreases by 0.25% per annum with the expectation of a rate of 3.5% by 2027-28

2.12. Financial viability is assessed through two factors and used to constrain the borrowing within the plan and held as the golden rules:

- A minimum balance of £9.5m within reserves (annually inflated)
- A minimum interest rate cover ratio of 1.25 should be maintained.

3. Recommendations for the Homes Sub-Committee

3.1. The Homes Sub-Committee is asked to: -

1. Note the underlying principles and assumptions that will be used as a basis to develop the Housing Revenue Account Business Plan.
2. Consider whether there are any comments it wishes to make on these underlying principles and assumptions, which can be taken into account during the preparation of the Housing Revenue Account Business Plan.