28th February 2024	ITEM: 15
Council	
Housing Revenue Account: 30-Year Business Plan	
Wards and communities affected: All	**Key Decision:** Key
Report of: Cllr B Johnson – Children's Services and Housing	
Accountable Director: Ian Wake – Director of Adults, Health and Housing, Steven Mair – Interim Chief Finance Officer	
Accountable Assistant Director: Ewelina Sorbjan – Assistant Director Housing and Development, Michael Jones – Interim Assistant Director for Strategic and Corporate Finance	
This report is Public	

Executive Summary

This report sets out the proposed 30-Year Business Plan for the Housing Revenue Account (HRA) and considers both the Revenue and Capital position. The Revenue Business plan over a 5-year period projects gross income of £360.666m and gross expenditure of £350.814m. The HRA Capital Programme provides for a total capital investment of £175.069m over the next 5 years, of which £83.77m relates to existing properties, and £91.291m relating to new developments and property purchases. Over the 30-year business plan period, £646.214m is to be spend on the HRA Capital Programme.

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, which is based on best assumptions, that avoids a deficit and keeps the HRA under review.

The budget has developed from a review of the baseline budget, current expenditure on Housing Service and capital investment to maintain and improve the Housing Stock.

The Business Plan demonstrates that Thurrock Council can fund the proposals subject to the assumptions within the plan, and that the HRA remains sustainable and viable over the 30-year period.

Context

The HRA 30-year business plan is financed via multiple funding sources of which I-4-1 receipts emanating from Right to Buy (RtB) sales and borrowing constitutes a major part. The Council being under Direction from the Secretary of State to reduce borrowing means approval must be sought to borrow to fund two of the development schemes and property purchases included in the 2024/25 HRA 30-year business plan.

The business plan has been prepared based on two major assumptions:

(a) The Secretary of State will give permission to Thurrock Council to borrow to fund HRA development schemes. If this is not forthcoming the matter will be reported back to Cabinet/Council

(b) that the current rules around RtB Section 11(6) retention agreement in place will apply i.e. Thurrock Council will only be able to utilise the RtB receipts on the additional units above the existing units within both Blackshots and Teviot Developments.

Thurrock Council has nevertheless submitted a request to the Secretary of State (DLUCH) for special dispensation to borrow to fund the development schemes and property purchases which will allow point a) above to be addressed and for permission to utilise the maximum allowable RtB receipts on the schemes which would impact on point b).

If the second request is agreed it would mean Thurrock Council would only have to borrow £42.074m as opposed to £76.858m to fund the development and property purchase schemes. The approval of the RtB special dispensation will ensure Thurrock can utilise a maximum of circa. £34m of 1-4-1 RtB receipts as opposed to the £12.3m currently projected within the business plan. If this is the case the matter will be reported back to Cabinet

If the Council is unable to get the special dispensations on borrowing and RtB receipts utilisation, the Blackshots and Teviot development schemes cannot proceed. Moreso the Council will have to repay the following amount relating to unused RtB receipt for new homes:

- £1.05m plus £0.4m of interest in 2024/25
- £3.62m plus £1.62m of interest in 2025/26
- £7.81m plus £4.04m of interest in 2026/27
- £8.07m plus £4.48m of interest in 2027/28

Commissioner Comment:

Commissioners support the HRA business plan as laid out in the report.

There are two key points to note; the capital programme is provisional, as any new borrowing is subject to a business case that will demonstrate the value for money of the proposed scheme, and this will be subject to agreement by the commissioner. Secondly, Appendix 5 lays out the HRA reserve which is forecast to open at £7.881m and build over the medium term; the Council should exercise appropriate prudence in managing these reserves at an appropriate level to provide resilience for the HRA, given the inherent risk around both the revenue and capital programmes

1. Recommendation(s)

The Council approve:

1.1 the HRA revenue budget for 2024/25 (Table 1 & Appendix A)

1.2 the HRA 5-year capital programme for a total of £175.069m (Table 3 & Appendix C)

The Council note:

1.3 the HRA 5-year revenue budgets for 2024-25 to 2028-29 (Table 1 & Appendix A)

1.4 the HRA 30-year revenue budget for 2024-25 to 2053-54 (Appendix B)

1.5 the 30-year capital programme for 2024-25 to 2053-54 (Appendix D)

1.6 the draft HRA reserves and balances for the 5-year business plan (Appendix E)

1.7 the submission of the two requests to the Secretary of State. The outcome of it will be reported to Cabinet / Council.

2. Introduction and Background

2.1 The HRA business plan is the Council's strategy for spending and borrowing to maintain its stock, operate services for its tenants and leaseholders, and design and build new council homes. As with any other business plan, it must show that the Council has clear proposals for achieving its objectives and that these are financially viable in the short, medium and long term. Having an HRA Business Plan that is approved by full Council, based on reasoned assumptions and an underlying financial model, forms the basis of good governance and sound financial management. It demonstrates that we are spending residents' rent and service charges effectively and achieving value for money and managing debt and reserves to maintain a viable HRA in the long run.

2.2 This business plan recognises the realities of the financial pressures faced by local authorities across the United Kingdom especially the local situation in Thurrock Council. A prudent and pragmatic approach has been adopted and the HRA capital programme has been reduced to reflect an organisation that is prepared to balance its budgets and deliver best value for taxpayers and service users.

2.3 The need to ensure that Thurrock Council stays on a financially sustainable footing has meant a thorough review of the Council's capital programme.

2.4 The business plan projections reflect the income and expenditure required to manage the landlord function and, at the same time, work towards the Council's objectives to maintain and improve stock condition.

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 HRA self-financing system for Council Housing was implemented in April 2012. Under HRA self- financing, the Council's HRA continues to be a ring-fenced account (income and expenditure) for Council dwellings. HRA self-financing is intended to allow local authority landlords to manage and maintain their own stock from the rental income they generate.

3.3 The introduction of HRA self-financing was supposed to herald a more certain future for local authorities giving them more responsibility and to give them greater flexibility over their accounts. It was intended that authorities would also use self-financing as the opportunity to determine priorities with a more strategic longer-term view rather than on a year-to-year basis. This new approach as well as giving more responsibility to authorities also ensured that there was more risk for them. Spend and income for both capital and revenue had to be projected for in future years, treasury management and repayment of debt had to be accounted for, and the viability of the HRA had to be ensured.

3.4 In October 2018, the government announced that the HRA borrowing cap would be lifted, revoking the previous determinations that specified local authorities' limits on indebtedness. This has provided councils with new borrowing powers to increase their housing supply, with a focus on mixed-tenure development including homes for social rent, affordable rent and shared equity products.

3.5 Maintaining a residential property portfolio of 9,868 tenanted homes and 937 leasehold homes 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 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.

3.6 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 improvements and regeneration projects are also likely to require funding during this period.

3.7 Each year the Council must review, update and approve the Plan in line with best practice. 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.

4. National and local priorities that impact the HRA Business Plan

4.1 From April 2020 local authority alongside housing associations and other registered providers rents have been regulated by the Regulator of Social Housing, Annual rent increases must comply with government rents policy for Social Housing 2019. The standard rent increases are currently limited to an increase of up to CPI plus 1% from April 2020 to 2024/25 (based upon CPI at the preceding September), with properties below target rent levels moved directly to target rent only when they become void.

4.2 The Welfare Reform Act 2012 introduced radical changes to the welfare system, which included a reduction of housing benefits for social tenants if their accommodation is considered larger than required. It also introduced a new universal credit system to be implemented over time, where benefit payments would be made directly to the tenant, rather than the landlord. This change increases the risk of non-collection, which could lead to a rise in rent arrears.

4.3 The Fire Safety (England) Regulations 2022 (the Regulations) have been introduced as an important step towards implementing the recommendations of the Grenfell Tower Inquiry Phase 1 report. The Regulations are being introduced under Article 24 of the Fire Safety Order and came into force on 23 January 2023. These regulations make it a requirement in law for responsible persons of high-rise blocks of flats to provide information to Fire and Rescue Services to assist them to plan and, if needed, provide an effective operational response. These legislations will have significant impact on the responsibilities of the Council as a landlord in the future as Thurrock Council owns a couple of high-rise blocks.

4.4 Decarbonisation, Damp and Mould: The sector for social housing over recent years has seen significant changes in respect to new legislation and legal obligations that have been placed on landlords which include but are not limited to fire safety, damp and mould and decarbonisation of the assets. These aspects along with other priorities have been built into the delivery of the current council’s contracts therefore, the council is in a good position in respect to the condition of the HRA assets and the compliance to legislation. However, the council must continue to diversify it planning and delivery to ensure that it meets new and emerging sector changes within the confines of the Thurrock Council position. The council continues to monitor its asset condition through capturing data from ongoing projects and programmes that are delivered annually. Furthermore, within the last two years the housing department undertook a partial stock condition survey to test a sample to update its data sets and to ensure that the council’s understanding of the housing assets is a true representation of the asset condition in terms of both quality and safety. Over the last 3 years the council has successfully obtained over £4m in grants that have supported key projects that make significant improvements in regards resident safety and standard of home. It is imperative the council continues to seek external funding opportunities to supplement the council resources to deliver long term improvements to the housing assets because without funding support the council’s ability to continue to improve homes and decarbonise the asset will be severely impeded.

4.5 The Government stated that new funding may be withheld from any housing provider that is failing in their obligations to tenants. Providers in breach of the Social Housing Regulator's consumer standards may not be able to draw funds from the Affordable Homes Programme (AHP) until improvements are made.

5. HRA Base Business Plan – Key General Assumptions

5.1 Housing Stock: Currently Thurrock Council owns and manages over 10,300 properties (inclusive of social rented properties, affordable homes, and leasehold properties) across the borough though the HRA social and affordable rented properties is about 9,700. While the overall number of homes in the borough has increased since the inception of self-financing in 2012, the number of council homes has fallen over the same period due to right to buy and other disposals.

5.2 Housing Demand: Demand for council homes remains high with demand outstripping supply.

5.3 Rental income: Dwelling rents are the biggest source of income within the business plan and so future projections have a significant impact on the business plan.

5.4 The Rent Standard is the primary mechanism by which local authorities are compelled to increase or decrease their rents. Rent increases are currently limited to a maximum increase of CPI (at the prevailing September rate) plus 1%. This is legislative position that was introduced defining the period from April 2022 through to April 2024.

5.5 The general CPI inflation at September 2023, used in the rent setting formula, is 6.7%. The HRA Business Plan includes inflationary assumptions in line with the Rent Standard of CPI plus 1%. The rate of RPI for the same period is 8.9%.

6. Business Planning Assumptions

Key Area	Assumption
General Inflation (CPI)	CPI is 6.7% in 2024/25, then 2% onwards.
Social Rent & Service Charge	Increase of 7.7% in 2024/25, and 3% going forward.
Right to Buy (RTB) Sales	40 RTB sales assumed in 2023/24 and 2024/25, 50 afterwards annually
Right to Buy Receipts	Projected receipts are based on pooling returns and 2023/24 sales (receipts).
Debt Management	Self-financing debt based on long term borrowing. Maturing debt in relation to previous incurred borrowing for capital expenditure is refinanced throughout Plan. Additional debt taken to finance the new development schemes within the plan also on a refinancing basis
HRA Minimum Working Balances	HRA minimum working balance of £2.5m is assumed in 2024/25, increasing to £3m onwards
Repairs and Maintenance Major works	Expenditure adjusted in line with CPI (6.7%) in 2024/25 and 2% afterwards
Supervision and Management (also known as Operational Activities)	Employees costs inflated by 5% in 2024/25 and 2% in subsequent years. Other operational costs inflated by 6.7%. Utilities inflated by 20% in 2024/25 and by 2% in subsequent years
Bad Debt	Bad debt provision maintained at the 2023/24 amount of £0.961m. A 2% bad debt provision applied for subsequent years
Service Charges	Service Charge income inflated by 7.7% in 2024/25 and 3% in subsequent years
1-4-1 RtB Receipts	Retained RtB receipts are to be paid back to government at the end of the financial year that the disposal occurs.
Voids	Rent loss from voids assumed to be 1.77% on Council dwellings
HRA Stock Movement	Baseline numbers are adjusted for projected RTB sales (40 in 2024/25 and 50 in subsequent years) and new affordable housing units that will be developed over the business plan period.
Capital charges	It is assumed the HRA will be given permission from HM Treasury to borrow for new capital schemes, reflected in the estimates for capital charges.

7. Table 1: 5 Year Summary HRA Income and Expenditure Account

	2024.25 £000	2025.26 £000	2026.27 £000	2027.28 £000	2028.29 £000
INCOME AND EXPENDITURE ACCOUNT					
Income					
Dwelling Rents	54,344	55,525	56,891	59,596	62,334
Non Dwelling Rents	1,162	1,185	1,209	1,233	1,258
Charges for services and facilities (net of voids)	5,094	5,412	5,546	5,683	5,823
Contribution towards expenditure	1,285	1,311	1,337	1,364	1,391
Other Income	6,088	6,210	6,334	6,461	6,590
Total Income	**67,973**	**69,643**	**71,317**	**74,337**	**77,396**
Expenditure					
Repairs and maintenance	(14,092)	(14,374)	(14,688)	(15,001)	(15,351)
Supervision and management (Operational Activities)	(29,699)	(30,293)	(30,899)	(31,517)	(32,148)
(Increase)/decrease in provision for bad debts	(961)	(993)	(1,023)	(1,066)	(1,111)
Depreciation and impairment of fixed assets	(11,307)	(11,631)	(11,803)	(11,978)	(12,456)
Other Expenditure	-	(649)	(705)	(786)	(821)
Total Expenditure	**(56,060)**	**(57,940)**	**(59,118)**	**(60,348)**	**(61,888)**
Net Cost of HRA services	**11,913**	**11,703**	**12,199**	**13,989**	**15,508**
Interest payable incl amortisation	(10,335)	(9,996)	(10,672)	(11,946)	(12,511)
Surplus / (deficit) for the year	**1,578**	**1,707**	**1,527**	**2,043**	**2,997**

7.1 The average weekly rent for tenanted properties in 2024/25 is reported at £105.76 for Social Rents and £181.73 for Affordable rents. This generates a gross annual rent income of £54.505m. After adjusting for estimated lost income through voids, the net income assumption in the HRA business plan equals £54.344m. Tables 2A & B below provide a summary of current average rent levels from occupied social and affordable rent properties and the proposed rent uplift at 7.7%.

Table 2A and 2B: Social & Affordable Housing Average Rent

Number of Dwellings by Bedroom	Number of Properties	Average 2023/24 Actual Rent	Average 7.7% uplift 2024/25	Average 2024/25 Actual Rent	2024/25 Annual Rent Yield increase
0	236	£69.40	£5.34	£74.75	£917,293
1	2,723	£82.72	£6.37	£89.09	£12,614,721
2	2,144	£90.99	£7.01	£97.99	£10,924,830
3	4,017	£112.40	£8.65	£121.05	£25,285,635
4	250	£125.73	£9.68	£135.41	£1,760,322
5	12	£129.71	£9.99	£139.70	£87,170
6	3	£138.17	£10.64	£148.81	£23,215
Total / Average	**9,385**	**£98.20**	**£7.56**	**£105.76**	**£51,613,186**

Number of Dwellings by Bedroom	Number of Properties	Average 2023/24 Actual Rent	Average 7.7% uplift 2024/25	Average 2024/25 Actual Rent	2024/25 Annual Rent Yield increase
0	2	£142.86	£ 11.00	£153.86	£ 16,001
1	99	£135.85	£ 10.46	£146.31	£ 753,180
2	129	£166.58	£ 12.83	£179.41	£ 1,203,457
3	66	£209.33	£ 16.12	£225.45	£ 773,755
4	9	£259.39	£ 19.97	£279.36	£ 130,741
5	1	£260.53	£ 20.06	£280.59	£ 14,591
Total / Average	**306**	**£168.74**	**£12.99**	**£181.73**	**£ 2,891,725**

7.2 A rent increase of 7.7% is estimated to result in an additional £4.426m of income when compared to 2023/24. This increase will augment some of the impact of inflationary increases in supervision & management, utility and repairs and maintenance costs.

7.3 The proposed 2024/25 average service charge is £10.71 per week equating to an increase of £0.408m when compared to 2023/24. This amount incorporates the 7.7% inflation applied on service charge recoverable.

Other Income and Expenditure

7.4 Non-Dwelling income is estimated at £1.162m in 2024/25 and consists mainly of income from garage rents and premises rents.

7.5 Contribution towards expenditure is estimated at £1.285m in 2024/25 and this consists mainly of leaseholders cost recoverable.

7.6 Other income is estimated at £6.088m in 2024/25 and is made up principally of water charges income recoverable from tenants.

7.7 The Repairs and Maintenance (R&M) budget funds the cost of repairing and maintaining the HRA housing stock and assets. R&M expenditure is projected at £14.092m in 2024/25 and is estimated to increase annually. R&M costs are mostly variable in nature.

7.8 Supervision and Management costs include allowances for pay inflation uplifts in the business plan. An assumed 5% inflation in 2024/25 has been applied for salary costs; 1.8% applied for spinal column pay increases, and 6.7% for other costs. The budget for 2024/25 is £29.699m and this represent an increase of £0.917m when compared to 2023/24. S&M costs are mostly semi-fixed in nature so a reduction in the total number of Dwellings would not necessarily equate to a reduction in cost.

7.9 In order to mitigate against the current cost of living crisis, continued roll out of universal credit, potentially impacting on council tenants ability to pay their rents, the business plan has maintained the bad debt provision at £0.961m in line with the 2023/24 position.

7.10 Depreciation has been estimated at £11.307m for 2024/25. This funding is a charge/contribution from the revenue account to the Major Repairs Reserve account to part-finance the HRA capital programme.

7.11 As of 1 April 2023, the Housing Revenue Account, the balance of external borrowing was £229m. This comprises of two distinct elements: £161m being HRA self-financing debt, and £68m relating to prior year borrowing for Capital Investments. This borrowing is held with the Public Works Loans Board (PWLB). These debts attract average interest rates of 3.5% and 4.5% respectively. The Business Plan assumes further borrowing in 2024/25 and subsequent years until 2027/28 to part-fund the capital programme and new housing development schemes.

7.12 The estimated interest payable of £10.335m in 2024/25 is made up of: £5.631m being interest on the HRA self-financing debt; £3.065 being interest on the prior year debts; £0.768m being interest on 2023/24 borrowing; and £0.870m being the interest on planned borrowing in 2024/25.

7.13 The Business Plan assumes the need to refinance borrowing as and when the loans mature.

8. Major improvement and maintenance of HRA housing stock

8.1 Housing stocks owned by the council must meet the Decent Homes Standard. Landlords must continue to maintain homes to at least this standard. The stock condition information from the surveys and the 30-years maintenance cost plan provides the basis for the capital programme, which also includes expenditure on aids and adaptations, energy efficiency, the refurbishment of apartment blocks.

8.2 The Council's major work and planned maintenance schemes are on a rolling programme of works to improve the condition of existing stock. The planned works programme included in the business plan are transforming homes, major / disabled adaptations, fires safety works, tower block refurbishment, HRA garages, heating replacement programme, door entry installation, carbon reduction programme etc.

8.3 A budget of £29.125m has been estimated for major improvement works in 2024/25. £13.307 is financed through a combination of the Major repairs allowance and capital receipts, with the remaining balance of £15.818m financed through prudential borrowing.

8.4 For the financial years 2025/26 to 2028/29, it is planned that the major capital works programme will not require prudential borrowing and will need to be fully financed from resources available internally. This projection is predicated on the successful tender and implementation of a new capital works contract, which is currently being sourced. The Council is obligated to ensure it is able meet the requirements of existing statutory compliance works, continue with the transforming homes programme as well as implementing the regulations set out in the Building Safety Bill.

9. Future Development Programme

9.1 Over the 30-years HRA business plan period, three projects have been identified and for planned for development. They are: Blackshots Estate Redevelopment, Teviot Redevelopment, and the acquisition of 20 additional open market properties.

9.2 Blackshots consists of three tower blocks, comprising of 168 flats with identified issues such as: the existing external wall system not conforming to current building regulations; improvement required to smoke ventilation systems on individual landings; and roof coverings and windows reaching the technical end of their life expectancy. As detailed in the March 2023 Cabinet report, the blocks are deemed not fit for purpose and need to be demolished and replaced with good quality accommodation for the benefit of residents. The plan is a proposed redevelopment scheme of 240 housing units, providing an additional 72 units from the existing 168 units.

9.3 Teviot Avenue is a proposed redevelopment of 48 units, an increase of 12 units, from the existing 36 units. The current flats are constructed of pre-cast reinforced concrete of the 'Cornish' type situated in Teviot Avenue, Aveley. These dwellings were of a type designated as defective initially under the 1984 Housing Defects Act, (consolidated into the 1985 Housing Act), due to their construction material and manufacture.

9.4 The property purchase programme aims to acquire an additional 20 properties in 2024/25 with the purpose of increasing the housing stock. It is envisaged that forty percent of the cost will be funded from one-for-one Right to Buy (RtB) receipts, with the balance to be funded from Prudential Borrowing.

9.5 It is modelled within the business plan that the additional units within both Blackshots and Teviot developments are eligible for one-for-one RtB receipts. The balance of the development costs is expected to be met largely from Prudential Borrowing.

9.6 To ensure the 30-years HRA business plan stacks up financially, it has been assumed that all one-for-one RtB receipts accrued in each of the financial years will be returned to the government in the year the income is received. This ensures the Council avoids the punitive interest that would be incurred if not spent within five years of the receipts.

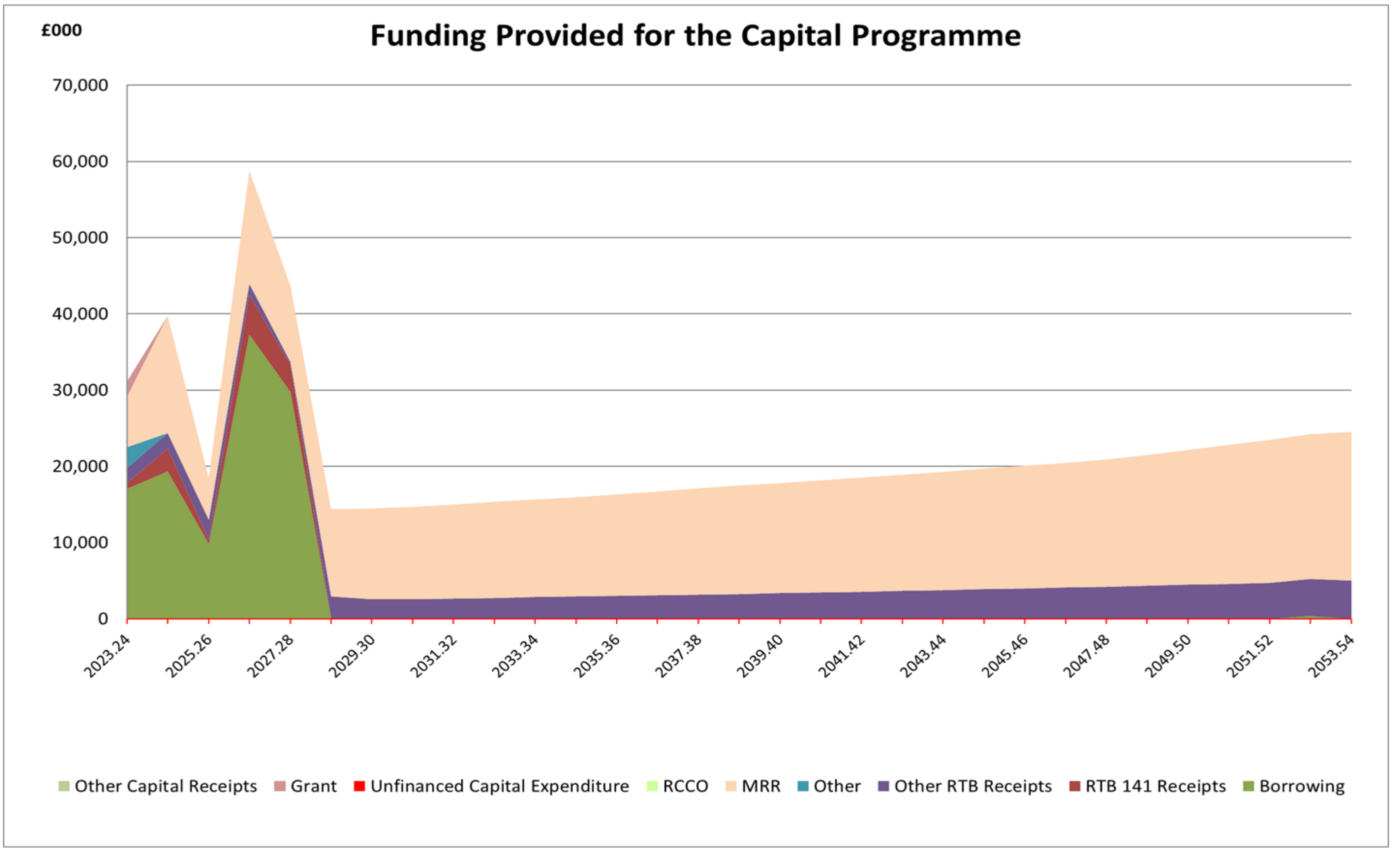
10. Capital Programme Funding

10.1 The financing of the capital programme is primarily from External Borrowing and Major Repair Reserves (MRR). Other funding sources include RtB receipts and Retained Receipts. Table 4 shows the breakdown of the capital programme from 2024/25 to 2028/29.

Table 4: Five Year Capital Programme and Funding

	2024.25 £000	2025.26 £000	2026.27 £000	2027.28 £000	2028.29 £000
CAPITAL EXPENDITURE					
Major Works & Improvements	29,125	13,260	13,525	13,796	14,072
Development Schemes	10,635	5,159	45,284	29,879	333
Total Expenditure	**39,760**	**18,419**	**58,810**	**43,675**	**14,405**
FINANCING					
External Borrowing	19,336	9,810	37,280	29,768	-
RTB Receipts	2,092	2,544	1,436	356	2,887
Retained Receipts	2,938	596	5,213	3,550	40
Major Repairs Reserve	15,394	5,469	14,881	10,001	11,478
Total Financing	**39,760**	**18,419**	**58,810**	**43,675**	**14,405**

Graph 1 – Capital Programme Funding



11. HRA Debt / Borrowing

11.1 At the introduction of HRA self-financing in 2012, Thurrock Council had to make payments to the erstwhile DCLG of £160.889m. This was funded by the Council taking out a PWLB loan.

11.2 In subsequent years, other PWLB loans totalling £68.111m have been taken to fund capital and development schemes within Thurrock.

11.3 The HRA debt brought forward on 1st April 2023 was £229m. This debt is serviced via the HRA and is separately identified to that of the Councils General Fund. Further borrowing of £17.078m is required to meet commitments towards the current major capital works programme. There is a borrowing requirement expected over the next five years to fund the capital development schemes.

12. Analysis of key risks

12.1 The business plan is based on a set of assumptions, and there will always be an element of risk of changes in cashflow projections in the revenue and capital accounts, if any of the assumption fail to materialise. The risks that have been identified in the development of the HRA Business Plan are set out in table 6 below along with the mitigation.

Table 6: Risk Profile

Risk Area	Description	Mitigation Action
Uncertainty around the future of the Right to Buy (RtB) Policy	A change in government could mean an end to the Right to Buy policy.	The business plan has been modelled on 40 RtB sales in 2024/25 and 50 onwards. A change in policy will reduce the depletion of the HRA housing stock and will mean slightly increased rental income.
One-for-one RtB receipts	Thurrock has significant one-for-one receipts which needs to be spent urgently to avoid the punitive interest to be paid back to government.	Retained RtB receipts are to be paid back to government at the end of the financial year that the disposal occurs. Sensitivities have been modelled so potential impacts are understood.
Welfare and Benefit Reforms.	Reforms to welfare and benefits such as universal credit can affect the HRA Business Plan and has a potential to cause increases in rents and service charge arrears sometimes resulting in increased bad debt levels.	Continuing to review strategy for maximising rent collection that reflects Universal Credit implications for transition and full service. Continuing raising awareness with residents about Universal Credit, including what it means for them.
Cost of Living impacts on tenants and leaseholders	With those on lower salaries suffering disproportionately in the current cost of living crisis, some tenants may fall into arrears as they struggle to pay higher rates of rent and service charge. This will impact on the Council's collection rates.	Offer options of repayment plans with tenants and leaseholders. Provision for bad debts has been set at an amount which recognises the risks.
Poor collection of rent	Rent income is under-achieved due to a major incident in the housing stock	Identify and address key issues in the housing stock to minimise likelihood of widespread of non-collection.
Inflation	Inflation will always be the most obvious risk to the business plan. Inflation increase for income and expenditure should be some mitigation.	A level of inflation on capital and revenue budget have been provided for in the business plan. However, market uncertainties may mean that this is insufficient.
Decarbonisation of Housing Stock	Government's commitment to target net zero carbon emission by 2050 and the resulting implication of the decarbonisation of Thurrock	The Council continues to seek external funding opportunities to supplement the council resources to deliver long term

Risk Area	Description	Mitigation Action
	Council's social housing stock. The cost of achieving decarbonisation is likely to be significant.	improvements to the housing assets
Damp and Mould	There is now the requirement for RSLs with more than a thousand homes to provide evidence to the Social Housing Regulator of their approach to dealing with damp and mould issues. The penalty of non-compliance or poor performance may mean new funding being withheld from such RSLs.	Detailed stock condition surveys of council housing stock and timely reactive maintenance where damp and mould issues are reported by tenants.
New legislation and regulations	New legislation and regulations are likely to impact this business plan. Implications of new legislation / regulation or changes to existing are not identified. Changes in national housing or rent policy could impact the ability to service the housing debt or deliver against planned investment programmes.	Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified, and highlighted. Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible with scenario impact quantified.

13. Reasons for Recommendation

13.1 The report sets out the 2024/25 HRA budget implications following the update of the HRA business plan. The proposals put forward have been calculated and assessed in terms of affordability. It is a legal and operational requirement that a balanced budget is set for the HRA

14 Consultation (including Overview and Scrutiny, if applicable)

14.1 The Corporate Overview and Scrutiny Committee were presented with the report on 14 February 2024. The minute of the meeting are available via the Thurrock Council Website

15. Impact on corporate policies, priorities, performance and community impact

15.1 The management and operation of the HRA strives to support vulnerable residents. The 30-year business plan sets out to ensure there is value for money within the Housing Service. The service is committed to the delivery of decent homes for its tenants, and compliance with legislation.

16. Implications

16.1 Financial

Implications verified by: **Mike Jones**

Assistant Director for Strategic & Corporate Finance

The report is in relation to the setting of the Housing Revenue Account budget for 2024/25. Therefore, the financial implications are within the body of the report.

16.2 Legal

Implications verified by: **Jayne Middleton-Albooye**

Interim Head of Legal Services and Deputy Monitoring Officer

Under s. 74 of the Local Government and Housing Act 1989 (The 1989 Act) the Council is required to hold a ring-fenced Housing Revenue Account (HRA).

By section 76 of the 1989 Act, the Council is required in January and February each year to prepare, and make available for public inspection, proposals relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be made on the best assumptions and estimates available and should be designed to secure that the HRA for the coming year does not show a debit balance. The report sets out information relevant to these considerations. Section 76 of the 1989 Act also places a duty on local housing authorities: (a) to ensure that the annual budget for their HRA avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) if it seems that an end-of-year deficit may occur, to take all reasonably practicable steps to avoid it.

The fixing of rent for Council property is contained in section 24 of the Housing Act 1985, which provides that the Council may make such reasonable charges as they may determine. Further, The Council must, from time to time, review rents and other charges and make such changes, as circumstances may require. Other legal considerations relevant to the HRA business plan are referred to in section 4 of this report.

In considering whether to agree the recommendations set out in the report the Council must ensure that it has due regard to the Council's equalities duties set out in the Equality Act 2010, and any impact on those with protected characteristics set out in the CEIA referred to below.

The Council's S151 Officer has issued a section 114 notice which restricts all but essential spending by the Council to provide essential Council Services and to meet its legal duties. The Council's legal duties in relation to its housing stock are referred to in the report. In addition, Members must consider the comments of the Council's s151 Officer set out in the report.

16.3 **Diversity and Equality**

Implications verified by: **Becky Lee**

Team Manager – Community Development and Equalities, Adults, Housing & Health

The council's HRA works to reflect the council's policy in relation to the provision of social housing with particular regard to the use of its own stock. In addition to the provision of general housing, it incorporates a number of budgetary provisions aimed at providing assistance to disadvantaged groups including adaptations to the stock for residents with disabilities.

A Community Equality Impact Assessment has been completed highlighting that, whilst a number of financial implications and impact on tenants and their households have been identified, the negative impact on all households living in council-owned accommodation would be far greater without implementing such a rent increase. This also includes the risk of regulatory action for non-compliance from both the Building Safety Regulatory and Regulator of Social Housing.

17 **Risks**

Section 12 of report identifies and evaluates the risks.

18 **Other Implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

None

19. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None

20. **Appendices to the report**

- Appendix 1 – HRA Revenue 5- Year Business Plan
- Appendix 2 – HRA Revenue 30- Year Business Plan
- Appendix 3 – HRA 5 Year Capital Programme and Funding Streams
- Appendix 4 – HRA 30- Year Major Repairs and Improvements Financing
- Appendix 5 – HRA 5- Year Reserve Projection
- Appendix 6 - Community Equality Impact Assessment

Report Author:

Mike Jones

Interim Assistant Director for Strategic and Corporate Finance

Finance