

# F&HDC – Housing Revenue Account (HRA) Business Plan

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Overview & Scrutiny Committee  
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# HRA Business Plan model

*“A balanced plan that is robust, affordable and sustainable over 30 years - managing borrowing within what is affordable and maintaining revenue reserves above £2M through the life of the plan. The plan delivers on the key priorities for our stock and tenants and has been prepared jointly by housing and finance officers with expert advice. It is based on good practice in housing business planning.” Adrian Waite Oct.23*

## **Challenges to developing the 30-year Business Plan:**

- Cost of living crisis / Interest rates – capital financing costs
- Govt capped rent increases / Decent Homes / Capital investment
- Housing Regulation – Social Housing Regulation Act
- Decarbonisation – EPC C by 2030 / Net Zero Carbon in use by 2050.

## **Positives:**

- Cost of F&HDC HRA relatively robust - net operating income over £2M a year (we will end 2023/24 with balances of over £4M)
- Stock condition - relatively good – excellent knowledge to base projections on
- Debt relatively low – enabling a BP that maintains financial viability - making a significant investment in existing and new stock to help to tackle the housing crisis.

# HRA Business Plan model

## Key features and Assumptions:

- **Carbon Reduction & Retrofitting stock** – SHDF Wave 1 £2.9M Wave 2 £5.2M - £1M a year but dependent on securing match funding to 2030
- **Housing Need / New Build & Acquisitions** – 1,500 on housing waiting list – affordable homes - low Local Housing Allowance rate - market rent new build average 3 bed home £179.62 / social rent £111.55. £5M per year new build best use on S106 or using smaller sites for new build already owned within the HRA
- **Capital programme improvements** – realistic and consistent across next 10 years
- **Rental Income** – Rent arrears - Universal credit / Service charges - de-pooling
- **RTB / Disposals** – Maximising other income sources – viability of some stock not able to retrofit
- **Independent Living** – Focus on carbon reduction measures and digital Telecare replacement
- **Housing management costs** – benchmarking with other LAs – financial management around void costs etc.

# HRA Priorities

- **Compliance** - Tenant Health & Safety and wellbeing - **£38M** capital investment over 30 years
- **Housing management**, repairs and ongoing maintenance - **£317M** revenue expenditure; **£187M** over 30 years on repairs & maintenance of homes
- **Decent Homes** - investment and capital Improvements to our stock - **£166M**
- **Decarbonisation** – Retrofitting existing homes - **£44M** of capital investment
- **Acquisitions and contributing to affordable homes New Build** - **£126M** capital investment over an 18 year period to deliver up to 360 new affordable homes, followed by investing a further £14M in them in capital maintenance over time.



# HRA Finances

## HOUSING REVENUE ACCOUNT PROJECTIONS – Income & Expenditure summary 2023/24 – 2032/33

Income & Expenditure 2023/24 to 2032/33	2023.24 1 £,000	2024.25 2 £,000	2025.26 3 £,000	2026.27 4 £,000	2027.28 5 £,000	2028.29 6 £,000	2029.30 7 £,000	2030.31 8 £,000	2031.32 9 £,000	2032.33 10 £,000
Rental Income	-16,985	-18,300	-18,680	-18,958	-19,378	-19,997	-20,694	-21,416	-22,162	-22,934
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569	-1,608	-1,648	-1,689	-1,731	-1,775
Other Income	-448	-255	-423	-422	-418	-461	-462	-464	-467	-470
<b>Total Income</b>	<b>-18,532</b>	<b>-19,667</b>	<b>-20,219</b>	<b>-20,915</b>	<b>-21,364</b>	<b>-22,067</b>	<b>-22,804</b>	<b>-23,569</b>	<b>-24,361</b>	<b>-25,179</b>
Repairs & Maintenance	4,355	4,385	4,416	4,528	4,450	4,590	4,734	4,882	5,035	4,983
Management	6,981	7,093	7,164	7,285	7,482	7,707	7,938	8,176	8,421	8,674
Depreciation	3,084	3,187	3,285	3,408	3,569	3,749	3,937	4,135	4,342	4,559
Loan Charges - Interest	1,907	2,389	2,566	2,937	3,318	3,682	3,996	4,303	4,604	4,964
Revenue Contributions	4,358	3,602	2,568	2,783	691	2,199	1,982	1,829	1,689	1,560
Other Expenditure	295	316	324	336	345	358	371	384	398	413
<b>Total Expenditure</b>	<b>20,980</b>	<b>20,971</b>	<b>20,323</b>	<b>21,279</b>	<b>19,857</b>	<b>22,284</b>	<b>22,957</b>	<b>23,709</b>	<b>24,490</b>	<b>25,152</b>
Surplus / Deficit	2,448	1,305	104	363	-1,507	217	153	140	129	-27

# HRA Finances

## 2033/34 – 2042/43

Income & Expenditure 2033/34 to 2042/43	2033.34 11 £,000	2034.35 12 £,000	2035.36 13 £,000	2036.37 14 £,000	2037.38 15 £,000	2038.39 16 £,000	2039.40 17 £,000	2040.41 18 £,000	2041.42 19 £,000	2042.43 20 £,000
Rental Income	-23,733	-24,558	-25,446	-26,366	-27,317	-28,302	-29,321	-30,377	-31,469	-32,370
Service Charges	-1,819	-1,865	-1,911	-1,959	-2,008	-2,058	-2,110	-2,162	-2,216	-2,272
Other Income	-477	-482	-486	-491	-495	-499	-503	-506	-510	-513
<b>Total Income</b>	<b>-26,029</b>	<b>-26,904</b>	<b>-27,844</b>	<b>-28,815</b>	<b>-29,820</b>	<b>-30,859</b>	<b>-31,934</b>	<b>-33,045</b>	<b>-34,195</b>	<b>-35,155</b>
Repairs & Maintenance	5,140	5,303	5,478	5,659	5,845	6,038	6,238	6,443	6,656	6,875
Management	8,934	9,202	9,478	9,762	10,055	10,357	10,668	10,988	11,317	11,657
Depreciation	4,786	5,024	5,274	5,535	5,810	6,097	6,398	6,713	7,043	7,389
Loan Charges - Interest	5,248	5,526	5,841	6,182	6,543	6,922	7,316	7,728	8,159	8,439
Revenue Contributions	1,587	1,493	1,406	1,313	1,199	1,071	931	781	619	445
Other Expenditure	428	443	460	477	496	514	534	554	575	592
<b>Total Expenditure</b>	<b>26,124</b>	<b>26,991</b>	<b>27,937</b>	<b>28,929</b>	<b>29,948</b>	<b>30,999</b>	<b>32,084</b>	<b>33,206</b>	<b>34,370</b>	<b>35,396</b>
Surplus / Deficit	95	86	93	114	128	140	150	161	175	240

# HRA Finances

## 2043/44 – 2052/53

Income & Expenditure 2043/44 to 2052/53	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.5	2050.51	2051.52	2052.53
	21	22	23	24	25	26	27	28	29	30
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Rental Income	-33,298	-34,252	-35,234	-36,243	-37,282	-38,350	-39,448	-40,578	-41,741	-42,936
Service Charges	-2,329	-2,387	-2,446	-2,508	-2,570	-2,635	-2,700	-2,768	-2,837	-2,908
Other Income	-515	-523	-532	-541	-550	-559	-571	-585	-599	-612
<b>Total Income</b>	<b>-36,142</b>	<b>-37,162</b>	<b>-38,212</b>	<b>-39,292</b>	<b>-40,402</b>	<b>-41,544</b>	<b>-42,720</b>	<b>-43,932</b>	<b>-45,177</b>	<b>-46,456</b>
Repairs & Maintenance	7,071	7,273	7,481	7,694	7,914	8,140	8,372	8,611	8,857	9,110
Management	12,007	12,367	12,738	13,120	13,514	13,919	14,336	14,767	15,210	15,666
Depreciation	7,684	7,992	8,311	8,644	8,989	9,349	9,723	10,112	10,516	10,937
Loan Charges - Interest	8,565	8,671	8,800	8,905	9,020	9,030	8,975	8,941	8,924	8,909
Revenue Contributions	204	207	236	243	272	293	417	606	776	926
Other Expenditure	607	623	639	656	673	690	707	725	743	762
<b>Total Expenditure</b>	<b>36,139</b>	<b>37,133</b>	<b>38,205</b>	<b>39,263</b>	<b>40,382</b>	<b>41,420</b>	<b>42,531</b>	<b>43,762</b>	<b>45,026</b>	<b>46,310</b>
Surplus / Deficit	-3	-29	-7	-29	-20	-124	-190	-170	-150	-146

# HRA Finances

## 10- year capital programme summary

Capital Investment Required 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	1	2	3	4	5	6	7	8	9	10
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	6,493	4,420	4,420	4,170	4,324	4,044	4,186	4,332	4,484	4,641
SHDF & EPC	1,036	1,555	1,000	1,000	1,037	1,078	1,116	1,155	1,196	1,238
Non-Decent Homes Standard	1,490	1,311	692	442	334	410	359	372	385	399
Disabled Adaptations	450	450	450	450	467	485	502	520	538	557
Environmental Improvements	0	60	60	60	62	65	67	69	72	74
Housing IT System	28	28	28	28	0	0	0	0	0	0
Sub-Total	9,498	7,824	6,650	6,150	6,224	6,083	6,231	6,449	6,675	6,908
Acquisitions & New Build	3,204	5,130	5,233	5,374	5,573	5,796	5,998	6,208	6,426	6,651
Major Repairs to new homes	0	0	0	0	20	26	33	40	71	83
Total Capital	12,702	12,954	11,883	11,524	11,817	11,904	12,262	12,697	13,172	13,642
Capital Investment Required 2033/34 to 2042/43	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43
	11	12	13	14	15	16	17	18	19	20
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	4,803	4,947	5,096	5,249	5,406	5,568	5,735	5,908	6,085	6,267
SHDF & EPC	1,281	1,319	1,359	1,400	1,442	1,485	1,529	1,575	1,623	1,671
Non-Decent Homes Standard	487	425	438	451	464	564	492	507	522	538
Disabled Adaptations	576	594	612	630	649	594	612	630	649	669
Environmental Improvements	77	79	82	84	86	89	92	95	97	100
Housing IT System	0	0	0	0	0	0	0	0	0	0
Sub-Total	7,224	7,364	7,585	7,813	8,047	8,301	8,461	8,715	8,976	9,246
Acquisitions & New Build	6,883	7,090	7,303	7,522	7,747	7,980	8,219	8,466	8,720	0
Major Repairs to new homes	96	109	124	692	769	849	934	1,024	1,118	1,216
Total Capital	14,204	14,564	15,012	16,026	16,563	17,130	17,615	18,204	18,814	10,462



# HRA Finances

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Capital Investment Required 2043/44 to 2052/53	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50	2050.51	2051.52	2052.53
	21	22	23	24	25	26	27	28	29	30
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	6,455	6,649	6,848	7,054	7,266	7,483	7,708	7,939	8,177	8,423
SHDF & EPC	1,721	1,773	1,826	1,881	1,937	1,996	2,055	2,117	2,181	2,246
Non-Decent Homes Standard	654	571	588	606	624	758	662	682	702	723
Disabled Adaptations	689	709	731	752	775	798	822	847	872	898
Environmental Improvements	103	106	110	113	116	120	123	127	131	135
Housing IT System	0	0	0	0	0	0	0	0	0	0
Sub-Total	9,623	9,809	10,103	10,406	10,718	11,155	11,371	11,712	12,063	12,425
Acquisitions & New Build	0	0	0	0	0	0	0	0	0	0
Major Repairs to new homes	1,253	1,290	1,329	456	470	484	499	514	529	545
Total Capital	10,875	11,099	11,432	10,862	11,188	11,639	11,869	12,226	12,592	12,970

# HRA Finances

## 30- year strategic summary

	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	1	2	3	4	5	6	7	8	9	10
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Revenue Income	-18,532	-19,667	-20,219	-20,915	-21,364	-22,067	-22,804	-23,569	-24,360	-25,178
Revenue Expenditure	20,980	20,971	20,323	21,279	19,857	22,292	22,975	23,727	24,507	25,170
Revenue Surplus / Deficit	2,448	1,305	104	363	-1,507	226	171	158	147	-8
Capital Expenditure	12,702	12,954	11,883	11,524	11,817	11,904	12,262	12,697	13,172	13,642
Capital Financing	-12,738	-12,954	-11,883	-11,524	-11,817	-11,904	-12,262	-12,697	-13,172	-13,642
	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43
	11	12	13	14	15	16	17	18	19	20
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Revenue Income	-26,027	-26,902	-27,841	-28,812	-29,816	-30,854	-31,928	-33,039	-34,188	-35,152
Revenue Expenditure	26,141	27,009	27,955	28,948	29,967	31,019	32,105	33,216	34,236	35,254
Revenue Surplus / Deficit	114	107	115	137	151	164	176	177	48	102
Capital Expenditure	14,204	14,564	15,012	16,026	16,563	17,130	17,615	18,204	18,814	10,462
Capital Financing	-14,204	-14,564	-15,012	-16,026	-16,563	-17,130	-17,615	-18,204	-18,814	-10,462
	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.5	2050.51	2051.52	2052.53
	21	22	23	24	25	26	27	28	29	30
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Revenue Income	-36,142	-37,163	-38,214	-39,293	-40,404	-41,547	-42,724	-43,936	-45,181	-46,462
Revenue Expenditure	36,120	37,114	38,186	39,243	40,362	41,399	42,509	43,740	45,004	46,307
Revenue Surplus / Deficit	-22	-49	-27	-50	-43	-147	-214	-195	-177	-154
Capital Expenditure	10,875	11,099	11,432	10,862	11,188	11,639	11,869	12,226	12,592	12,970
Capital Financing	-10,875	-11,099	-11,432	-10,862	-11,188	-11,639	-11,869	-12,226	-12,592	-12,970

# Financial Assumptions

- Inflation falling to below 2% in 2024/25 before returning to the Bank of England target of 2% from 2028/29
- Rent increases capped at 7% in 2024, increasing by CPI + 1% in subsequent years
- Management and R&M costs assumed to increase by CPI + 1%
- Interest rate paid on new loans reduce from the current 6% to 4.5%
- There will continue to be 10 RTB sales each year until 2035/36
- A future de-pooling of service charges will bring in additional income (at least £400,000 p.a. from 2025/26)
- £5M a year is provided for new build & acquisitions at current prices for the next 18 years subject to affordability year on year. This is expected to deliver up to 20 homes a year based on an average cost of £250,000 at current prices and all opportunities for funding and delivery will be explored including the Homes England Affordable Homes programme funding, BLR1 and section 106 (S106) agreements. The Council will develop a supply pipeline over the next 5 to 10 years on ability to secure some funding.

# Q&As Discussion