

Overview and Scrutiny SBC HRA 30 Years Business Plan

4th February 2023

Purpose

- ❑ The purpose of this presentation is to enable Scrutiny to consider and comment on the HRA Business Plan which sets out the Council's strategy for spending and borrowing to maintain its stock, operate services for its tenants and leaseholders, design and build new homes where applicable
- ❑ The business plan projections reflect the income and expenditure required to manage the landlord function
- ❑ Though the business plan is based on 30 years projection, the focus is on the medium term period (five years).

HRA Funding

- ❑ The HRA covers revenue expenditure and income relating to the Council's own housing stock and is ringfenced from the Council's General Fund as required by the Local Government and Housing Act 1989.
- ❑ The HRA is funded primarily by rents received from tenants. Local authority rents are regulated by the Regulator of Social Housing and annual rent increases must comply with the Government rents policy for Social Housing.
- ❑ Where a deficit is anticipated, the HRA can draw down from its Reserves as the Council is required to set a balanced budget.
- ❑ Where the HRA intends to take on major redevelopment schemes / projects, these can be funded from Government grants, borrowing subject to affordability tests and/or Right to Buy (RtB) income

Business Planning Assumptions

- ❑ Slough Borough Council owns and manages over 7,633 properties, of which there are 6,035 HRA social and affordable rented properties
- ❑ No new acquisition or new build assumption is made in this business plan
- ❑ General inflation: CPI of 10.1% in 2023/24, 5% in 2024/25 and 2% thereafter
- ❑ Social Rent: 7% increase in 2023/24, 5% in 2024/25 and 2% thereafter. Re-let at 5% of formula rent
- ❑ Supervision and Management: Employee cost element inflated by 4% while other S&M costs inflated by RPI of 12.6%
- ❑ Bad debt: Bad debt provision set at £1.5m which represents circa. 4% of Dwelling Rents
- ❑ Service Charge Income: Matched to 7% increase offered for social rent in 2023/24
- ❑ Voids: Voids assumed to be 1.5% of council dwelling rents

Business Planning Assumptions (ii)

- ❑ Energy cost is assumed to rise by circa. £0.9m in 2023/24 and expected to reduce to normal price level over the next 3 years
- ❑ Right to Buy (RtB) Sales: 50 RtB sales assumed for 2023/24 and 2024/25. 25 RtB sales estimated annually thereafter
- ❑ HRA Minimum Working Balances: £4m is assumed which represents circa. 10% of gross rent
- ❑ Repair and Maintenance Major Works: 11.1% is assumed in 2023/24 and 5% thereafter
- ❑ Debt Management: Maturing debt refinanced throughout Plan. No additional borrowing is envisaged as no new housing developments are expected

HRA Medium Term Plan (i)

	2023.24 £000	2024.25 £000	2025.26 £000	2026.27 £000	2027.28 £000
INCOME AND EXPENDITURE ACCOUNT					
Income					
Dwelling Rents	36,907	39,689	39,997	41,158	42,346
Non Dwelling Rents	1,835	1,945	2,004	2,064	2,126
Charges for services and facilities (net of voids)	2,670	2,830	2,915	3,002	3,092
Total Income	41,412	44,464	44,915	46,224	47,564
Expenditure					
Repairs and maintenance	(13,377)	(14,180)	(14,605)	(14,410)	(14,843)
Supervision and management	(10,471)	(11,044)	(11,320)	(11,605)	(11,898)
Special services	(217)	(230)	(237)	(244)	(251)
Rents, rates, taxes and other charges	(1,582)	(1,334)	(1,027)	(747)	(770)
(Increase)/decrease in provision for bad debts	(1,500)	(1,500)	(1,545)	(1,591)	(1,639)
Depreciation and impairment of fixed assets	(8,859)	(8,785)	(8,711)	(8,674)	(8,637)
Total Expenditure	(36,007)	(37,073)	(37,445)	(37,272)	(38,037)
Net Cost of HRA Services	5,405	7,391	7,470	8,952	9,526
Interest payable incl amortisation	(4,620)	(4,620)	(4,620)	(4,620)	(5,359)
HRA investment income	15	15	15	15	15
Surplus / (deficit) for the year	800	2,787	2,865	4,348	4,182

HRA Medium Term Plan (ii)

- ❑ Dwelling rents in 2023/24 is estimated as £36.9m. This represents an increase of £2.3m when compared to 2022/23
- ❑ The average weekly rent for 2023/24 is reported at £117.80
- ❑ The average weekly service charge for 2023/24 is £14.80
- ❑ Non-dwelling rent is estimated at £1.84m and consists mainly of garage rents, shops and ground rent
- ❑ Total income of £41.4m is projected in 2023/24 with total expenditure of £36.01m
- ❑ The net cost of HRA services of £5.4m less interest payable and HRA investment income results in a surplus of £0.8m in 2023/24.
- ❑ The HRA is expected to report surpluses in the five year medium term period.

HRA Capital Programme (i)

EXPENDITURE	2022/23 Projected Outturn	2023/24	2024/25	2025/26	2026/27	2027/28	Total
RMI Capital Programme	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Commissioning of Repairs Maintenance and Investment Contract		250	250	0	0	0	500
Boiler Replacement and heating	355	317	618	840	1,037	1,371	4,182
Kitchen & Bathroom Replacement	750	415	689	1,731	1,770	2,966	7,571
Electrical Systems	400	138	328	675	732	1,162	3,034
External rendering, repairs and redecoration of housing block	700	2,134	985	1,006	1,296	1,511	6,932
Capitalised Repairs	422	100	103	105	108	110	526
FRA & Asbestos Removal Works	1,884	2,000	2,000	250	256	263	4,769
Major Aids & Adaptations	691	300	308	315	323	331	1,577
De-Carbonisation Works	100	500	513	525	538	552	2,628
Windows and Door Replacement	181	842	328	673	1,116	1,688	4,647
Roof Replacement	796	1,726	1,447	2,925	2,454	4,311	12,863
Structural	115	211	83	108	178	213	793
Security & Controlled Entry Modernisation	766	300	308	315	323	331	1,577
Capitalised voids	60	60	62	63	65	66	672
Total	7,220	9,293	8,019	9,531	10,196	14,875	51,914
Affordable Homes	3,500	800	0	0	0	0	800
HRA GRAND TOTAL	10,720	10,093	8,019	9,531	10,196	14,875	52,714

HRA Capital Programme (ii)

- ❑ Housing stocks owned by the Council must meet the present Decent Homes Standard.
- ❑ The capital programme represents major works and planned maintenance to improve the condition of the existing stock.
- ❑ The planned works include: central heating and boiler upgrades, replacement of external doors and windows, renewal of roofs and soffits, external lighting upgrades, garage improvements, de-carbonisation and external environmental improvements, kitchen and bathrooms, and thermal insulation.
- ❑ The proposed cumulative capital programme cost across the next five years is £52.714m.
- ❑ The proposed capital programme is to be funded from Right to Buy Receipts and Major Repairs Reserve

Business Plan Risks

- Uncertainties around Government's regulated rent policy
- Changes to right to buy rules
- Impact of cost of living crisis on tenants and leaseholders resulting in poor collection of rent
- Inflation level
- Net zero decarbonisation commitment by Government
- Potential penalties of non-compliance with addressing damp and mould issues
- Welfare and benefit reforms