

BABERGH DISTRICT COUNCIL

TO: BDC Cabinet	REPORT NUMBER: BCa/22/8
FROM: Cllr Jan Osborne BDC Cabinet Member for Housing	DATE OF MEETING: 4 th July 2022
OFFICER: Gavin Fisk – Assistant Director Housing	KEY DECISION REF NO. CAB306

THE APPROVAL OF THE HOUSING REVENUE ACCOUNT BUSINESS PLAN

1 PURPOSE OF REPORT

- 1.1 This report sets out the work that has taken place to date to develop a robust and financially sustainable Housing Revenue Account (HRA) Business Plan for the period 2022 - 2052 for Babergh District Council. It provides an oversight of the consultation with key stakeholders and how this feedback and insight has shaped and developed the plan.
- 1.2 This report provides an evidence base highlighting the priorities that have been defined within the HRA Business Plan. The final plan will be presented to Cabinet in July 2022 along with evidence the plan has been robustly stress tested and which is deliverable both in the medium and longer term.
- 1.3 This report seeks support of the Council to commit to the current version of the plan based on the priorities set out in this report.

2 OPTIONS CONSIDERED

- 2.1 To continue with the current version of the HRA Business Plan, which was adopted in 2017. However, it is felt this would prevent us managing the HRA effectively as many changes have occurred since 2017, including the Climate Emergency declared by both Councils in 2019.
- 2.2 To develop an HRA Business Plan that supports Babergh District Councils Vision for the Housing Revenue Account, which is recommended as it reflects the changing external factors, as well as the Councils own aspirations. It has sought to consider opportunities to not only review the financial capacity within the HRA, but the approach and direction to the delivery of Council Housing Services, including meeting the requirements set out in the Social Housing White Paper.

3 RECOMMENDATIONS

- 3.1 It is recommended that Cabinet approve the proposed HRA Business Plan along with the overarching aims as set out in this report.
- 3.2 It is recommended that an annual review of the HRA Business Plan takes place, and any amendments, changes, or updates are reported to Cabinet as part of the annual budget setting process.

REASON FOR DECISION
3.2 To ensure Babergh have an HRA Business Plan, which will be meet the Councils overarching Housing aims over the next five years

4 KEY INFORMATION

4.1 The Housing Revenue Account (HRA) Business Plan sets out the priorities, plans and actions for council housing over the next 5 and 30 years. The HRA Business Plan was last revised in May 2017, therefore, it was pertinent that after five years, a fundamental review of the plan and its priorities took place.

4.2 The purpose of such plans is to show that we can maintain our existing housing assets and deliver a quality customer-focused service, as well as improve homes and neighbourhoods, whilst supporting and endeavouring to achieve the visions of the current organisations' key strategies.

4.3 An effective HRA Business Plan has become ever more crucial since central government announced the reform of the rules governing local authority housing finance and the introduction of the self-financing system a decade ago.

4.4 The development of the HRA Business Plan has been developed during a backdrop of legislative changes all aimed at making all Social Housing safer. Homes of a higher quality and giving tenants more oversight of their landlord's performance. With the ability of tenants to take an active role in the management of their homes. This has been supported through the development of the Regulator for Social Housing which has been given more control and greater ability to enforce regulatory standards and monitor and inspect all social housing landlords.

These changes are the most significant in a generation and will change fundamentally the Social Housing sector with greater monitoring of standards and performance with one primary aim drive up both standards and performance throughout the sector.

4.5 Work to develop the HRA Business Plans has been focussed heavily on research, consultation, scenario testing, and design this includes ensuring the final version of the plans have specific, measurable, realistic targets.

4.6 To do so, research and development has been invested in the organisations proposed '*New Build Design Guide*' and '*Technical Specification*'. Along with far greater intelligence and insight on the energy performance of our existing stock portfolio. This specific piece of work has led to working with the Energy Saving Trust to produce individual reports on every council owned home, which is based on more than 80 separate measures. This work has allowed us to accurately predict the levels of future expenditure and investment required to ensure every Council owned home meets the Government target of EPC C, by 2030.

4.7 To ensure the plan is achievable, it has required officers to produce a baseline position taking into account actual income and expenditure including planned works.

- 4.8 Summer 2021 saw both tenant, staff and member consultation with more than 2,000 separate survey responses to three different consultations, which is evidenced in section nine of this report. As a direct result of this feedback, we have ensured the final version of the HRA Business Plan has been fully costed will provide the following outcomes for all stakeholders, associated with the Housing Revenue Accounts.
- 4.9 During the first half of 2022 we surveyed a further 600 tenants and used this insight to further develop the HRA Business Plan.

What will our Plans deliver?

Investing in our Homes

- 4.10 It is intended that we will see significant investment in retrofitting of existing homes to make them energy efficient (EPC Level C), and compliant with existing legislation.
- With an aspiration to provide additional investment in existing homes to support them reaching a higher level of energy performance above EPC C during the lifespan of these plans.
- 4.11 We will need to make decisions in the future in relation to our stock profile, this could include making decisions on which HRA assets to develop, redevelop, or dispose of, to ensure we consistently provide homes which are cost effective to maintain and provide the highest levels of quality for tenants.
- 4.12 Ensure our homes exceed tenants' expectations, this includes the fabric and condition of the home as well as the services they receive. In the future this is likely to include investment in 'smart' technology to allow homes to be monitored for future repair or maintenance or standards e.g., Smart sensors to monitor the boiler or moisture within the home.
- 4.13 Enhanced 'Void' standards, which ensure that when empty homes are returned to the Council, as a landlord, we are focussed on quality rather than cost and time. In the longer term it is envisaged this will lead to savings on repairs and maintenance and improved levels of tenant satisfaction.

Climate Change

- 4.14 Investment in all homes to improve overall energy efficiency will be a key focus and will require long term investment beyond historic and existing levels of investment in capital improvements.
- 4.15 This will be led through retrofitting and improved energy efficiency of homes. Including monetary investment to ensure every Council owned home meets EPC C by 2030. Supported by practical education for tenants on how to best use and manage the home to gain the greatest benefits, leading to lower energy costs for tenants.
- 4.16 Significant work has already taken place to improve the energy efficiency of existing homes in recent years and this includes programmes of Cavity Wall and Loft Insulation. Solar PV on more than 2,000 Council owned homes across Babergh and Mid Suffolk. The installation of Air Source Heating, External Wall Insulation, Double Glazing

- 4.17 This work will support both organisational and Suffolk wide Climate change ambitions, which will be complemented by greater levels of Biodiversity within our estates and neighbourhoods. A practical example of this approach could be community allotments, which provide a sense of place and belonging, and which exceed tenants needs.

Building and Buying New Council Homes

- 4.18 There will continue to be an ambition to build or acquire additional new homes. It is proposed that 65 new homes are built or acquired each year, for each of the next five years. Through the development of the HRA Business Plan, the Council will be able to identify how many new homes it can build and develop over the medium term. These new homes will be developed using the New Build Design Guide and Technical Specification. Whilst the Councils will continue to work with Homes England to obtain funding through the Affordable Homes Programme, which will enable more homes to be developed rather than solely funding development via the HRA.
- 4.19 An ambition to build on average 65 new homes every year for the next five years should not be underestimated in terms of the Capital investment that is required at a time when additional investment is also required to our existing housing portfolio. This is to ensure we meet the requirements for energy efficient, safe, warm and decent homes. As such there will inevitably always be a balancing act with making best use of the finite capital resources available to the Housing Revenue Account. Without creating unaffordable borrowing or the need to make extensive cuts to existing services to save costs. The ability to achieve optimised Housing development and investment in existing homes is imperative and complimentary to one another.
- 4.20 An emphasis on good quality design, energy efficiency, low running costs, sustainability, and the use of modern methods of construction, where appropriate.
- 4.21 Right to Buy receipts will be used efficiently ensuring they are maximised and contribute effectively to any affordable housing programme.
- 4.22 Whilst there will continue to be a focus on new homes, the Business Plans will focus on how the HRA's and the council housing service makes efficient use of existing homes through for example, incentives to downsize.
- 4.23 Within the housing portfolio there will continue to be a continuous review of existing HRA Assets which will include acquisition, disposal, and remodelling, to maximise revenues and minimise the cost of maintenance, repair and renewal of stock which is poorly performing.

Improving the service we provide to our tenants

- 4.24 It is imperative that we continually improve on existing levels of service and performance. We must ensure that every single tenant feels listened to and satisfied with the service they receive, whilst identifying BMSDC Landlord services as being exemplar in its approach to placing Tenants at the 'Heart' of what we do including decision making.
- 4.25 This will require a greater emphasis on performance, scrutiny, and satisfaction ensuring building safety and compliance at all times with regulation and Housing law.

- 4.26 We will learn from every complaint. Measuring satisfaction in real time and ensure we do not only meet the new regulatory framework and standards as set by the Regulator of Social Housing but exceed them.

Improving our Neighbourhoods

- 4.27 We know all stakeholders identified improvements that could or should be made through the consultation. Therefore, this is an area that we will identify and target to ensure improvements for which tenants identify and benefit from. To support this important work and to take account for the variety of neighbourhoods throughout the District, a Neighbourhoods Strategy will be developed to provide an overarching approach.
- 4.28 We will develop a programme to reduce the number of garages in areas where there is low demand and utilise this space for alternative uses e.g., additional parking, housing solutions or amenity land.
- 4.29 Improve existing car parking provision and develop the opportunities for Electrical Vehicle (EV) charging.
- 4.30 Increased Biodiversity and Environmental Improvements.
- 4.31 Improved quality of estates through enhanced standards and quality which may be achieved through effective service charging, where appropriate.
- 4.32 These and other measures and improvements will aim to ensure neighbourhoods are identified as being safe, secure, pleasant, enjoyable and fun to live within, which leads to increases in tenant satisfaction as a direct result.

Involving Tenants in running of the service

- 4.33 We will ensure that through the business plan, there are opportunities for active decision making for tenants through a person-centred approach.
- 4.34 Development of an innovative Governance model that could introduce a Housing Board (equivalent to our Companies or a Housing Association Board) with officers, tenant/s, members and key specialists actively involved and part of decision making, performance and the development of the service in the long term.
- 4.35 Delivery of an action plan that supports a model of engagement that places tenants at the heart of decision making (in line with Tenant Participatory Advisory Service (TPAS) accreditation).

Digital Transformation

- 4.36 The service will move to a cloud-based software system, which enables greater flexibility for staff and tenants and creates efficiencies.
- 4.37 We will support more tenants with both the skills and tools to embrace digital methods as a result of direct feedback from our digital skills survey. This will enable and encourage users of the service to self-serve 'on the go'. For those that desire, we will provide digital tenancies that are more intuitive and that negate the need to use traditional communication channels to engage with the landlord service, providing a greater level of self-serve on the go than is currently available.

4.38 Whilst the use of digital tools and technology will support staff to manage the service effectively e.g., Using digital dashboards to provide a clear picture of performance in 'real time' along with greater functionality using tablets and software.

5 LINKS TO CORPORATE PLAN

5.1 Homes and Housing is one of the six key priorities within the Joint Corporate Plan and plays a significant role in achieving the Council's overarching vision to build 'great communities with bright and healthy futures that everyone is proud to call home'.

5.2 The intention is to ensure that the Councils own Housing stock and its tenants are supported through the Business Plan to maintain our housing stock and continue providing good quality, sustainable council homes, which meet a range of needs for today and for future generations. We will do this by:

- Achieving and maintaining high standards of housing management and effective tenant involvement;
- Assisting people in housing need to access social housing; Support vulnerable tenants in maintaining their tenancy and living independently;
- Responding to and pre-empting changing demand patterns by maintaining a balanced portfolio of housing which addresses a wide range of needs;
- Increasing the environmental sustainability of our housing stock

5.3 Our work is inherently about the provision of safe, affordable and decent homes, which support people's quality of life, sense of place and identity. The HRA Business plan must therefore prioritise the way all of its Housing services operate and how we can influence others to play their part.

5.4 The Housing Revenue Account Business Plan will signpost to the other strategies in the Corporate Plan that play a key role in delivering Council Housing outcomes and which enables our tenants to feel empowered to have their say in how their homes are managed and to ensure everyone has accommodation they are proud to call home.

6 FINANCIAL IMPLICATIONS

6.1 The HRA Business Plan includes a set of financial assessments including scenario testing and projected income and expenditure between 2022 – 2027. This includes actual income and expenditure both now and projected going forward, along with evidence to support the plans as to what is and what is not affordable and how the finite income associated to the HRA Account will be apportioned to meet both the medium term aims of this plan for the period 2022 – 2027 and the long term aims for the period 2022 – 2052.

6.2 This plan was developed using a suite of baseline assumptions which included:

- Revised inflation assumptions
- Consumer Price Index (CPI) projections reflect Bank of England Monetary Policy Report (Feb 2022)
- Rent increases reflect CPI +1% until 2024/25, then CPI only from 2025/26
- Updated Capital and Revenue budgets
- Updated Energy Performance Certificate (EPC) - C investment assumptions
- Spending pressures met from within existing budgets

- EPC-C investment by 2030 included in the Baseline assumptions
- To provide at least 65 new units a year (on average) between 2022 and 2027/2028
- Strategic Priorities Reserve available to spend (s/t £1M minimum balance)
- Rent loss from voids assumed at 2%
- Investment in existing housing stock will continue at current levels

6.3 A series of financial scenarios were also initially developed which included:

- Scenario 1 – Deliver zero carbon measures by 2050
- Scenario 2 – Deliver 500 extra homes in each authority over 10 years
- Scenario 3 – Increase budgets to reflect additional spending pressures
- Scenario 4 – Invest to Save initiatives
- One new initiative a year for four years, starting from 2022/23, Each initiative requires £50k to introduce, Ongoing running costs are £50k pa per initiative, Each initiative reduces costs by £100k pa from its second year
- Scenario 5 – Effects of a 1-year rent freeze in 2023/24
- Scenario 6 – Combined effects of scenarios 1, 2 & 3
- Scenario 7 – Optimised version of scenario 6

6.4 In summary the overall plan between 2022 and 2026 evidences:

(Figures are all Millions)	Babergh District Council
Income 2022/23	£18.3m
Income 2025/26	£21.6m
Responsive Repairs	£17.2m
Capital Expenditure	£30.1m
New Build/ 141 Receipts	£45.4m
New Borrowing	£26.1m

7 LEGAL IMPLICATIONS

7.1 There are no legal implications of this report.

8 RISK MANAGEMENT

8.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No. 13. We may be unable to react in a timely and effective way to financial demands. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
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<p>Failure to develop a financially sustainable HRA Business plan could lead to in year deficits and an inability to provide an effective Housing service in the long term</p>	<p>1 – Highly Unlikely</p>	<p>4- Disaster</p>	<p>Regular monitoring of the HRA Business Plan through effective budget monitoring and budget setting. Approved by Cabinet.</p> <p>The use of specialist external consultancy to act as a critical friend and business support.</p> <p>The use of an independent business model which ensures all medium and long-term income and expenditure is recorded</p>
<p>Failure to accurately identify and plan for all future investment and expenditure could lead to the Councils being unable to provide both the quality of accommodation and landlord services that everyone expects</p>	<p>2 - Unlikely</p>	<p>4 - Disaster</p>	<p>Research, profiling and insight into future costs of investment and expenditure have been conducted using specialist support.</p> <p>The plan articulates where legislation requires a specific approach going forward</p> <p>Budgets are monitored on a monthly basis and monitored through quarterly outturn reports with a robust budget setting process</p>
<p>The HRA Business Plan is</p>	<p>2 - Unlikely</p>	<p>3 – Bad/Serious</p>	<p>Consultation has taken place with</p>

not relatable to by its stakeholders and hence does not achieve the outcomes and goals desired			all stakeholders. Research has taken place on what the plan needs to achieve to provide the highest levels of service to tenants and to be an exemplar.
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9 CONSULTATIONS

- 9.1 During a period in the second half of 2021 there were a total of 619 consultees that responded to an online survey (584 tenants, 27 Staff and 8 Members). A further 14 took part in a virtual workshop.
- 9.2 The following seven areas were identified in priority order with details of the key issues identified during the consultation.
- 9.3 Investing in our current homes
- 71% of respondents did not feel we invested enough in existing homes.
 - Improving home insulation, installing environmentally friendly heating systems and upgrading doors and windows were the priority investment items identified for all existing homes.
- 9.4 Climate change
- 70% of respondents felt we should be doing more to address climate change.
 - Improving the energy efficiency of homes should be the top priority.
- 9.5 Building and buying new Council housing
- Consultees were concerned about a lack of local affordable housing.
 - Building more homes and encouraging under occupiers were considered the most effective ways to increase supply of affordable homes.
- 9.6 Improving the services, we provide our tenants
- Staff thought Housing Officers should visit tenants in their home once a year; tenant preference was for only when requested.
 - 83% of tenant respondents did not want the Housing Service to provide non-housing advice
- 9.7 Improving our neighbourhoods
- 87% of tenants like the neighbourhoods they live in. The friendliness of existing communities was particularly highly valued.
 - Lack of car parking was the issue tenants were most unhappy about.
 - Staff and Members felt neighbourhoods looked untidy or unkempt and poorly maintained.
- 9.8 Involving tenants in the running of the housing service
- 56% felt tenants should be given more opportunities to be involved.
 - 61% of tenants did not feel listened to.

- Digital surveys were the preferred method for tenants to have their say (however, this may be because this consultation exercise was digital, therefore, those without digital access were not as represented).

9.9 Digital Transformation

- There was generally a low awareness of the online 'My Home' portal amongst tenants and Members
- Only 28% of tenants had signed up to the 'My Home' portal
- Tenants mainly use it to contact a member of the housing service
- 46% of staff said they actively promote Digital channels to tenants
- Not being aware of the My Home portal was the main reason for not signing up
- Being able to book and track repairs was the favoured feature to add to the My Home Portal.

9.10 A further 1,500 separate surveys were received in relation to Sheltered Housing and Digital Access and Skills of tenants. These results will help shape further changes to our 'offer'.

9.11 In March 2022, we gained 600 Tenant Satisfaction responses (300 from Babergh and 300 from Mid Suffolk) which have given us a rich picture of current tenant satisfaction and performance which has been incorporated into the final version of the plan. This data has been captured in accordance with the proposed Tenant Satisfaction measures every landlord will be responsible for gathering and reporting on, within the next 18 months across the sector, following government consultation.

An Action Plan has already been developed incorporating a raft of proposals and actions to ensure the Council as a Landlord begins improving the levels of satisfaction amongst Tenants, where lower levels of satisfaction have been recorded, based on the recent quantitative and qualitative feedback. This work will be continuously monitored and provided to the Council and its Members through performance and Outcomes reports.

10 EQUALITY ANALYSIS

10.1 There are no equality and diversity implications arising directly from this report, at this stage. When individual specific projects are brought forward, as identified as part of the HRA Business Plan, Initial screening, and where necessary, full Equality Impact Assessments will be carried out.

10.2 It should be noted that a key component of the Business Plans will be to ensure equality and diversity as well as ensuring anyone with a protected characteristic is supported whilst as a tenant of Babergh or Mid Suffolk District Councils.

11 ENVIRONMENTAL IMPLICATIONS

11.1 There are no environmental implications arising directly from this report, at this stage.

11.2 It is intended that there will be positive environmental implications associated with the HRA Business Plans, specifically, that of our existing Carbon Reduction Management Plan and Bio-Diversity Plan and the emerging wider Environmental Strategy.

11.3 This will include:

- Improving the existing energy efficiency of all council owned homes ensuring that every home meets an Energy Performance Certificate (C) by 2030;
- All existing council owned homes are carbon neutral (wherever possible) by 2050;
- New affordable housing built in the future by the Councils will be delivered to the highest levels of energy performance and standards achievable (on a scheme-by-scheme basis);
- Along with ensuring HRA amenity land provides greater levels of biodiversity, which will support and enhance the natural environment and the wellbeing of local communities.

12 APPENDICES

12.1 HRA BUSINESS PLAN INC AFFORDABLE HOUSING STRATEGY, NEW BUILD DESIGN GUIDE, TECHNICAL SPECIFICATION AND FINANCIAL SCENARIOS

13 BACKGROUND DOCUMENTS

13.1 **BC/21/26** The Development of the HRA Business Plans

13.2 The Housing Revenue Account Business Plan – including Affordable Housing Strategy, New Build Design Guide and Technical Specification and Financial Scenarios.

REPORT AUTHORS

14.1 Gavin Fisk – Assistant Director Housing