London Borough of Enfield

Meeting Date: Cabinet 14th December 2022

Subject: **HRA Business Plan – Annual Review**

Cabinet Member: **Councillor George Savva (Social Housing)**
Councillor Tim Leaver (Finance & Procurement

Executive Director: Joanne Drew (Acting)

Key Decision: **KD5499**

Purpose of Report

1. Each year we review the Business Plan assumptions in the Housing Revenue Account (HRA) in the light of the external environment (for example interest and grant rates), the progress of our strategy for Council Housing and the forward plan for the period.

2. The Good Growth Housing strategy sets out an ambition of being proud of and investing in our Council homes. This means adopting a balanced approach to investment (capital) in existing homes, the building of new council homes and day to day services (revenue) for council tenants and leaseholders including meeting the required standards of the Regulator for Social Housing. At the centre of these carefully balanced priorities is the experience of tenants and leaseholders in council homes and residents across the borough who are in need of homes.

3. It is a general principle of our approach that we should maximise capital investment in homes and places to improve the quality of our homes for residents and to minimise day to day revenue costs. Investment in the development of new homes helps to, balance the age of the stock profile and its investment requirements, improve housing conditions and grow income whilst addressing critical housing need which drives general fund pressures in adult social care, children's services and homelessness.

4. Cabinet will be aware that there are significant financial pressures on the Council in relation to high interest rates impacting on the cost of debt. In addition, the Housing area is experiencing inflationary increases in repairs and construction works costs, and Government restrictions on annual rent increases. This report therefore sets out how we will focus on our core landlord obligations improving resident satisfaction.

Proposals

5. Recommend Cabinet to:

Approve:

6. The revised development programme and hurdle rates for schemes.

7. The next five years RTB programme expenditure of £94.1m

8. The acquisitions programme and delegate authority to the Director of Housing and Regeneration for each purchase within the agreed financial parameters outlined in this report and in consultation with the Director of Finance (Commercial).

Note:

9. The revised 10-year HRA Capital Programme budget for investment in existing council homes

10. The updated HRA Business Plan and financial assumptions on which we will ensure an affordable and viable 30-year plan.

11. The HRA borrowing requirement of £304m over the next 10 years.

12. The social housing rent increase was agreed at the Autumn Budget. Rents, subject to approval, will increase by 7% in 2023-24, in line with Governments imposed rent cap. Approval will come forward as part of the HRA rent setting report recommended to Council on 8th February 2023.

13. The proposed increase in rent charged on shared ownership properties from 2.75% to 3%, approval will come forward as part of the HRA rent setting report recommended to Council on 8th February 2023.

14. The designation of some sheltered housing blocks and the corresponding impact on service charges.

15. The increase in borrowing interest rates and long-term assumption taken in the Business Plan, and impact to the HRA business plan

Reason for Proposals

16. To ensure that a balanced and viable 30-Year HRA Business Plan is approved by Cabinet which meets the strategic priorities of the service.

Relevance to the Council's Corporate Plan

17. Develop affordable homes, improve existing housing stock to create a lifetime of opportunities in Enfield, providing Good Homes in well-connected Neighbourhoods, and Sustaining Strong and Healthy Communities.

Background

18. Each year, the HRA Business Plan is updated and a review of the Financial and investment framework is undertaken, along with the strategic approach.

19. In January 2020 a report approved the delivery of 3,804 new homes (3,500 affordable) in the development programme over the next 10 years. This recognised the need for, and Council's priority for the addition of affordable council housing to meet the existing needs of residents

20. In February 2022, Cabinet agreed to continue with the ambitious investment programme to build new homes, regenerate places and improve the quality of existing Council homes. This report provides an update on the programme and future strategy.

21. In October 2022 Savills completed a strategic review of the business plan to ensure the HRA 30-year business plan continues to be remain viable and sustainable in the current and future financial market. This review included the following inputs:

- Reviewing the key assumptions for development, investment in existing stock and services against the efficiencies required
- Identifying pressures facing the Housing Service and provide strategic advice on where the Council should prioritise deployment of its investment
- Review economic assumptions e.g. on inflation and rents informing our response to the social rent cap consultation.
- Review the HRA financial framework including policy on cash flow management and performance buffers to reduce cash flow pressures
- Identify longer term development capacity so that investment in new council homes can be aligned with other strategic developments in the borough.

Main Considerations for the Council

22. The HRA Business Plan is subject to an annual review to ensure the assumptions are deliverable in the local operating context.

23. This report gives an update on the HRA 30-year business plan position at Quarter 2 2022-23 and includes the following updates:

    a. Update on the economic position
    b. Revised 10-year development programme and strategic approach to secure ongoing delivery
    c. Updated RTB receipts spending proposal
    d. Updated borrowing profile, including interest rate update
    e. The 10-year investment in stock programme
    f. Revenue budget update, including savings proposals
    g. CPI update, including rent cap consultation
    h. Financial framework update, including, financial metric and assumptions

Economic update

24. Like all social housing providers whether they be housing associations or Councils, the HRA is facing significant challenges this year driven from four main factors:
    - Inflationary pressures – applying to all costs (both revenue and capital)
    - Rent cap consultation – fixed rent increase of 7% for 2023-24
    - Costlier and delayed development programme arising from higher construction cost inflation
    - interest rate rises – impacting on the cost of borrowing

25. These factors have had a significant impact on the HRA business plan's affordability to deliver the current plans.

26. The report sets out the plans to manage the impact of market pressures whilst ensuring the HRA Business Plan continues to be remain viable and sustainable.

27. **Development and Estate Regeneration Programme**

28. This will deliver approximately 3,500 new homes starts over the next 14 years, funded through a mix of GLA grant, Right to Buy (RTB) receipts, HRA borrowing and cross subsidy from sales.

29. This year (2022-23) the new homes programme has experienced challenges arising from the current volatile market conditions. As a way to mitigate these risks going forward, we are reviewing partnership models of delivery and short term looking to achieve new homes targets by acquiring additional homes already in the pipeline. This also has the benefit of underwriting delivery of existing partnership programmes at a time when progress may be reviewed/paused by partners due to market uncertainty.

30. On existing pipeline schemes, we are reviewing the scope and potential for value engineering.

31. In light of these pressures the financial framework for the development programme has been reviewed. The main changes to the programme and viability assessment are as follows:

    a. The programme has been reprofiled to reflect the latest financial position of projects in contract
    b. The NPV and IRR have been updated to reflect the unstable current economic market. Moving to a more positive NPV and increased IRR rate (post-financing) will ensure the development projects adds value to the plan and the investment makes financial sense. It should be noted however that this will make viability increasingly challenging to deliver and is likely to result in an impact on quantum of delivery.
    c. Each scheme will be assessed on a scheme by scheme basis in consultation with the Director of Finance.

Table 1

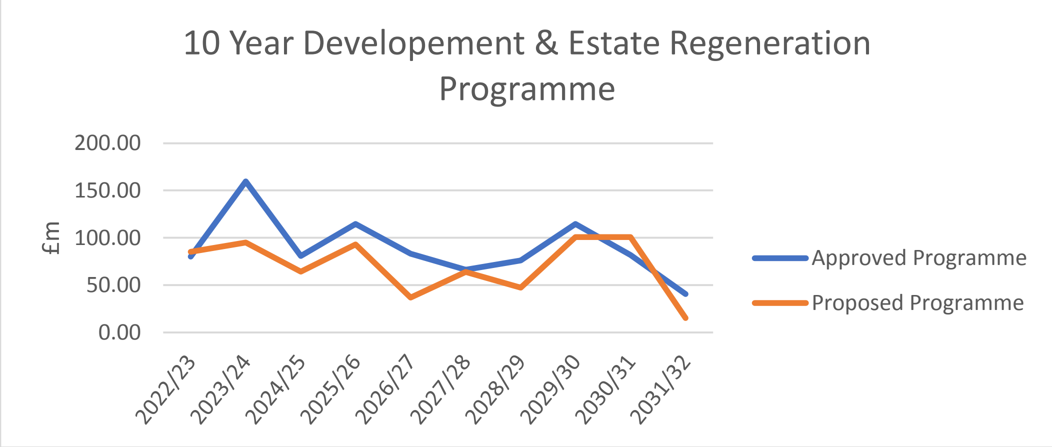
Hurdle Criteria	**Current Approved**	**Proposed**
Build cost per unit	£400k new build £450k estate regeneration	£400k new build £450k estate regeneration
Net Present Value (NPV)	-£60k per unit	Between -£60k and a Positive NPV
Internal rate of return (IRR)*	3.5% (post financing)	7% (post-financing)
Repayment period	50 years	50 years (60 years for Joyce & Snells)

***IRR is that discount rate which will generate zero NPV; submarket rents used as the schemes have wider social benefits therefore it is acknowledged the IRR will not be met in all circumstances*

32. We have secured £166.5m as part of the GLA's Affordable Housing Programme, following a successful funding bid. This funding will contribute towards funding 1,119 new homes in the Borough.

33. The below graph compares the current approved programme against the proposed reprofiled 10-year budget:

Graph 1



34. The graph shows how the budget has been smoothed to reflect the updated spending profile of the programme including for Joyce and Snells to reflect the current programme. This shows a reduction in the overall spend in the next 10 years, due to the latest Joyce and Snells forecast, reducing the borrowing requirements in the next 10 years.

35. **Right to Buy (RTB) Receipts**

36. The Government published new legislation on the use of RTB receipts with these changes being effective from 1st April 2021 and gave Councils slightly more flexibilities on how the RTB receipts can be applied.

37. In order to maximise the use of RTB receipts it is proposed these receipts will contribute towards the HRA's acquisition programme and support future development schemes.

38. The proposed five-year programme is shown in the table below, this could be subject to change as there may be delays or unavoidable changes within the programme.

RTB receipts	**2022.23**	**2023.24**	**2024.25**	**2025.26**	**2026.27**
Actual spend	30.65	20.65	19.13	11.90	11.76
Total spend required	**30.65**	**20.65**	**19.13**	**11.90**	**11.76**
RTB receipts (40%)	12.26	8.26	7.65	4.76	4.70
Total RTB receipts (40% of total spend)	**12.26**	**8.26**	**7.65**	**4.76**	**4.70**
Actual spend allocated (100%)					
New Avenue	0.01	0.01	0.02	0.00	0.00
Acquisitions	24.2	20.8	23.4	8.6	8.3
Exeter Road	0.80	0.00	7.04	8.13	0.64
North London Muslim Housing Association	2.76	0.00	0.00	0.00	0.00
Unallocated (+)/overallocated receipts (-)	2.90	-0.14	-11.29	-4.86	2.81
Total spend	**30.65**	**20.65**	**19.13**	**11.90**	**11.76**

39. The Council will continue to assess schemes on the basis of grant as % of total scheme costs against the use of unspent Right to Buy receipts to

ensure that available resources are directed to the key priorities and grant is maximised on newbuild developments.

40. **Disposals**

41. The current Business Plan assumes an annual target of £1m for disposals. This year we have progressed a major push and have achieved £1.17m sales to date with £1.93m in the pipeline including predominantly small parcels of land that are not usable for the development programme. Going forward the Business Plan will be supported by sales of void properties that are high cost to maintain (-NPV) or high value. This will provide investment to reduce the call on borrowing to maintain existing stock or to provide cross subsidy for development schemes.

42. **Borrowing and interest rates update**

43. The capital programme is supported by borrowing from the PWLB. As at 31st March 2022, the average borrowing rate was 3.5%. The PWLB interest rates are determined by HM Treasury based on gilt yields, the returns on government bonds. These rates are based on the gilt rate + 0.8% and since March 2022 gilt rates have significantly increased (especially since the mini budget).

44. The increase in gilt rates has impacted the rate at which we borrow, and this has now risen from 3.5% to 4.5% in 22-23 and long term 5.5%. This increase has put additional pressure on the revenue budget and has increased interest payments by £114m over the 30-year business plan. They are also a contributing factor in the adverse forecast outturn for this year as set out in the report on the Q2 position elsewhere on the agenda.

45. Borrowing assumptions within the Business plan are 4.5% in 2022-23 then 5.5% ongoing.

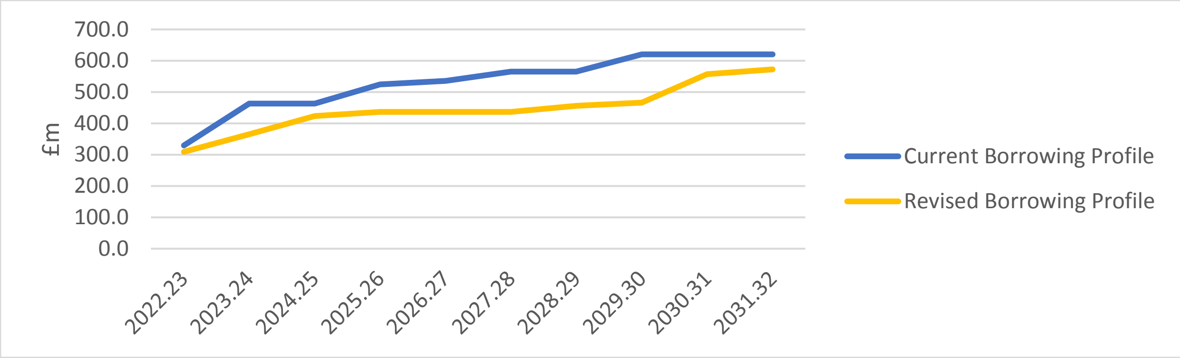
46. The current borrowing within the HRA is £268.4m and this level will rise to £572.4m over the next 10 years.

47. The below table and graph show the movement in the borrowing profile over the next 10 years:

Table 3

	Approved	Revised	Difference
2022/23	61.2	40.5	-20.7
2023/24	132.8	56.0	-76.8
2024/25	0.0	58.0	58.0
2025/26	62.0	13.0	-49.0
2026/27	11.0	0.0	-11.0
2027/28	30.0	0.5	-29.5
2028/29	0.0	19.0	19.0
2029/30	55.0	11.0	-44.0
2030/31	0.0	90.0	90.0
2031/32	0.0	16.0	16.0
Total	**352.0**	**304.0**	**-48.0**

Graph 2



48. The borrowing profile has reduced due to the capital programme being re-phased and reduced expenditure for development required in the next 10 years.

49. It should be noted that all borrowing requirements will remain within the Councils financial metrics and in line with the General Funds Prudential Indicators and Treasury Management Strategy. The loan principal will be paid back in full when it falls due and interest is charged annually over the life of the loan.

50. **Investment programme**

51. The investment programme continues to experience challenges this year arising from the current market conditions.

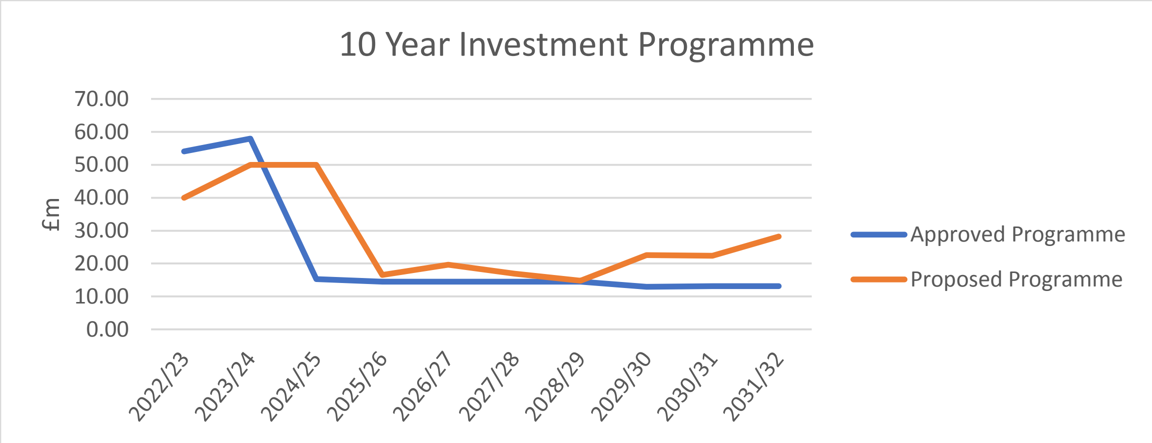
52. The impact of COVID; BREXIT, and the war in Ukraine on inflation in the planned maintenance sector has been substantial with both labour and material shortages pushing up costs by more than general inflation since the COVID lockdowns. The particular pressures that led to the high inflation levels over the past 2 years have subsided, but the sector does not expect prices to reduce in the near future.

53. The Office for National Statistics in their latest bulletin (September 2022) states that annual price growth for all construction work was 9.5% in July 2022. Looking forward the Royal Institution of Chartered Surveyors (RICS) suggests that tender price inflation will be between 5-7% and will be around 4% over the next four years.

54. In addition to these cost pressures the nature of works and challenges of our buildings mean that works programmes are subject to increased scope pressures and elongation especially when undertaking intrusive works to homes with residents in situ. In addition, there is often a decant requirement which has an impact on revenue.

55. The below graph compares the current approved programme against the proposed reprofiled 10-year budget:

Graph 3



56. The programme has been reduced in the early years, due to the affordability in the business plan, however growth has been included within the 10-year programme to ensure we meet our statutory decent homes requirements.

57. The updated programme has allocated resources based on a hierarchy of prioritisation with building safety and compliance being the highest ranked priorities, followed by decency as priority 2 and energy efficiency/sustainability priority 3.

58. This programme will move the stock to the desired decency targets as part of a three-year programme meaning targets will be reached in 2025.

59. **Revenue Budget**

60. It has been necessary to start a review of the management and maintenance service in light of the increase in inflation pressures to revenue budget. The cost per unit of these services is being measured against Housemark benchmarks/industry standards to ensure we offer value for money and assist in measuring performance and driving down costs.

61. The annual efficiency targets against management and maintenance budgets remain as a target of £1m per annum for the next three years. The target was achieved in 2021-22, with work ongoing to reach the target this year.

62. The areas of focus include:

- Repairs:
  - driving down the reactive repair's costs
  - updating the voids specification to bring the average void cost down
- reviewing staff structures in the management and maintenance areas
- reviewing service charges to tenants and leaseholders to fully recover the costs of services
- reviewing core and non-core landlord services, with a view to focus on core services provided to our residents – this may lead to reducing the non-core services currently provided
- reviewing rent charges on our non-dwelling assets – this includes a financial and community optimisation strategy to come forward in the new year.

63. In addition, we are undertaking a fundamental review of our damp and mould strategy with a view to taking new measures to improve housing standards and outcomes for residents. There will be a real focus on damp and mould issues within our properties. An updated strategy on this is being drafted to ensure issues are highlighted and processed accordingly. Prior the adoption of the strategy, improvements are already being made to our approach, including as an example ensuring all council staff going into council homes understand the basic issues and where to raise the issue internally.

64. At a time of pro-active regulation, the sector faces challenges in managing within a reduced cost envelope whilst responding to the Regulatory Consumer Standards and the needs of residents through the cost of living crisis. This requires a focus on landlord priorities. Therefore, services that do not relate to an improvement to our core landlord service and resident wellbeing will be discontinued.

65. Enfield is a diverse borough and it is vital that all staff and service provision is delivered with an excellent and best in class understanding of Equality, Diversity and Inclusion. We are picking up these issues in the draft engagement plan for tenants, including working to ensure the consultative panel of residents is representative of the diversity of the tenant group. Council Housing also undertakes monthly training on this issue as part of Council Housing Briefings and monitors the issue on an ad hoc basis. The council housing service is also guided by the clear parameters and values set out in the Fairer Enfield Plan: Equality, Diversity and Inclusion Policy 2021-25

66. Energy wholesale market prices have continued to increase over the Summer and have seen record highs in gas and electricity prices. Laser our energy consultants have supplied estimates for next year’s budget based on low, medium and high cost scenarios, which are estimating increases of c. 300%. The Energy Bill Relief Scheme (EBRS) will greatly reduce this increase and we await further details on this initiative.

67. The heating charges for 2023-24 will be fully charged to tenants and leaseholders as part of the service charges and approved in the Rent Setting report.

68. **Sheltered Housing Service**

69. For a number of years residents in some sheltered housing blocks have benefited from a more intensive housing management service - a significantly higher staff to resident ratio - when compared with the general housing management portfolio. To ensure this can be continued from 1st April 2023 a service charge will be added to those sheltered housing blocks which benefit from this more intensive service level – this new service will be called Later Living. The remaining sheltered housing blocks residents will be part of a Community Independent Living service which will be available for any resident over the age of 55 with no dependent children. Residents in the Community Independent Living blocks may opt to receive the intensive housing management service and pay the increased service charge.

70. **CPI Update and Rent Cap Consultation**

71. In February 2019 the Government published a Rent Policy Statement and a Direction on the Rent Standard 2019. The Rent Standard 2020 published by the Regulator of Social Housing set out that Councils could set a maximum actual rent increases of CPI + 1% per annum until 2024/25 based on the preceding September published CPI.

72. Rent increases from financial year 2025/26 onwards are assumed in line with the Government's long-term CPI target of 2%. This is considered reasonable and in line with external professional advice.

73. Under current regulations the Consumer Price Index (CPI) for September 2022 determines the increase in the rent for social rent properties which was 10.1%.

74. Due to the rising inflation rates, On 31 August 2022, the Government published a consultation paper proposing a cap on social housing rent increases for 2023/24 with options for the level of cap, period of cap and its application. The Government also plan to consult on social rent policy from 2025/26 later this year. The rent cap increases proposed for 2023/24 are 3%, 5% or 7%. The results of the consultation have determined the rent increase will be 7% for existing rents and 11.1% (CPI +1%) for relet rents.

75. It is estimated that in order to deliver the Councils existing capital programme and revenue services a rent increase of 9% would be required in 2023/24. A cap on the rent has been confirmed at 7%, which has resulted in a budget gap.

76. The cap on rents for 2023-24 will have a long-term impact on the HRA business plan. The reduction in rent from 11.1% to 7% will reduce rental income in the business plan by £116m over the next 30 years.

77. The table below shows the current average rent per week with the proposed rent increase for 2023/24:

Average Weekly Rent	2022-23	2023-24 @ 7%
Social	107.32	114.83
Affordable	183.18	196.00

78. Full approval for rents and service charges will be included in the Rent Setting report going to February Cabinet for approval.

79. **Financial Framework**

80. The updated HRA Business Plan has been assessed within the approved financial framework. As part of this assessment, financial metrics to assess the financial viability and affordability levels of the HRA have been reviewed.

81. The Business Plan is assessed on the following metrics:

Metric/Ratio	Measure	Description

Interest Cover Ratio (ICR)	1.25 minimum	• This ratio determines whether the net cost of services (surplus) covers the borrowing interest expenses. • Ratio of operating surplus divided by interest costs
Loan to Value (LTV)	50% maximum	• This ratio measures the level of debt compared to the asset value of our stock • Outstanding debt divided by fixed asset value

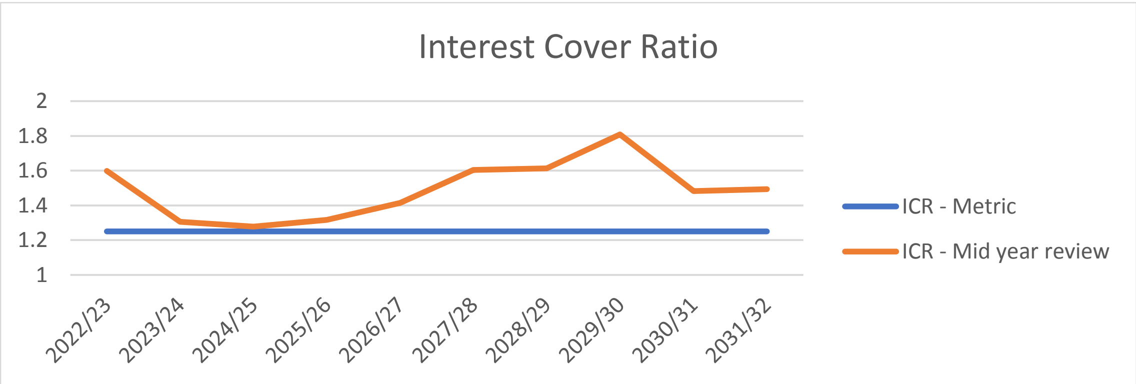
82. These metrics are based on successful operation of similar minimum/maximum metrics in the housing association sector. They represent a sound and effective way of managing borrowing and investment capacity.

83. However, in the current climate housing providers are projecting a reduction in the ICR ratio in the short term. The social housing regulators latest sector risk profile have suggested the following:

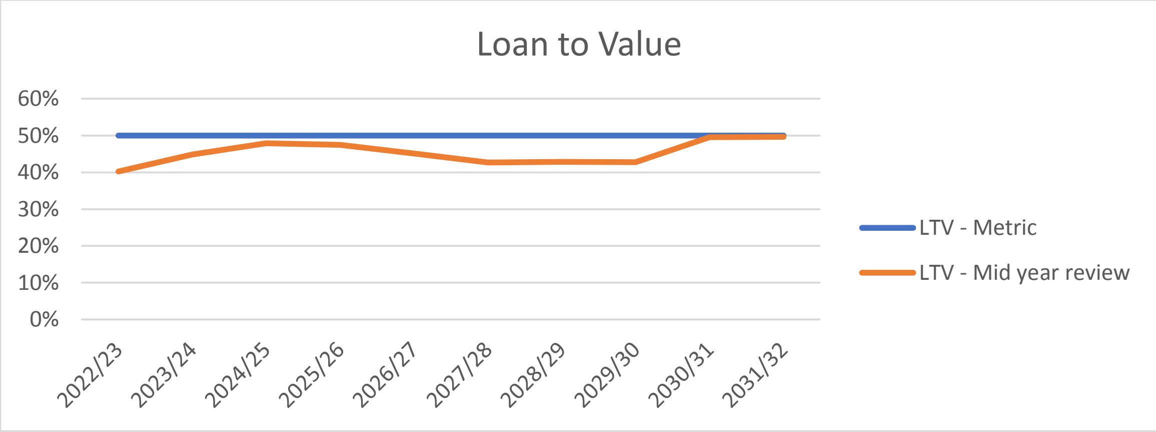
Latest forecasts show a continuation of the decline in providers interest cover over the past five years. A material number of providers are projecting less than 100% (or 1.00) interest cover in 2022/23. Reductions in interest cover are particularly driven by widespread forecast increases in spending on maintenance and major repairs. This reflects stock quality improvements – particularly energy efficiency, decarbonisation and safety – as well as works reprofiled during the pandemic and the effect of high inflation.

84. The financial metrics on the updated Business Plan are shown in the graphs below:

Graph 4



Graph 5



85. The mid-year review of the business plan has been measured against these metrics and shows in 2022-23 the current ICR is 1.6 and the LTV is 40%.

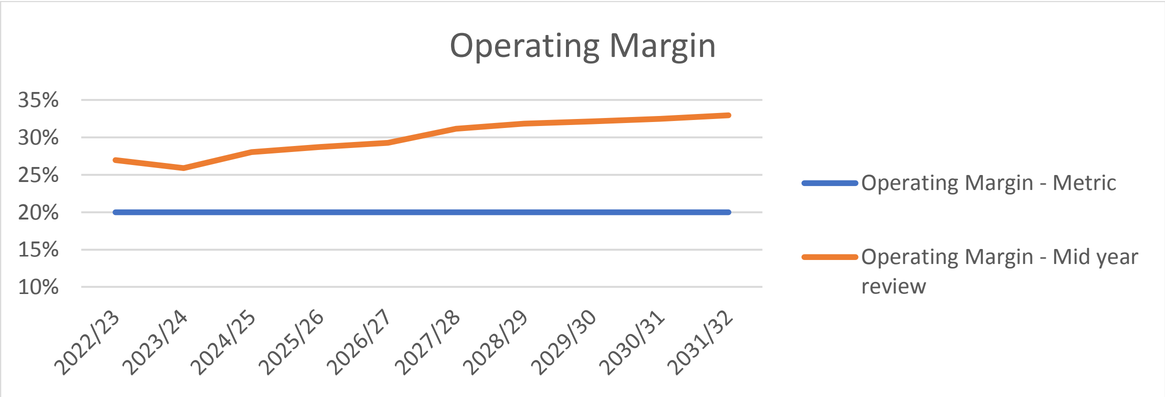
86. The ICR is slightly above the recommended metric showing that the net cost of the housing service can service the debt required to deliver the development programme. It should be noted that remaining above the recommended level is dependent on the revenue budget achieving the proposed savings as set out in the revenue section of this report.

87. The LTV metric is below the expected levels required and this is mainly due to borrowing levels. In order to continue to deliver Council priorities this investment is key. In the medium-term technology improvements will assist in driving service and financial efficiencies.

88. As well as funding metrics, we use the operating margin as an efficiency metric to allow us to compare to industry averages within the Local Authority and Housing Association sectors.

89. The industry average is between 20-25%, and the following graph shows the Enfield's position against this average:

Graph 6



90. This shows that Enfield is above the recommended operating margin and grows positively, this is driven in part by the net addition in stock over the long-term.

91. A minimum balance of 5% of the total revenue income (plus interest less depreciation) and 5% of the capital expenditure for the existing financial year, provides the Council with an 'assurance buffer' against unforeseen short-medium term variations to income and expenditure. The current minimum balance is £6m per annum, balances will not go below this level.

92. The updated HRA Business Plan remains affordable and sustainable. This position is underpinned by the following assumptions:

Table 7

Assumption	Current	Proposed
Inflation (CPI)	3.1%	10.1%
Efficiency savings per annum	£1m	£1m
Borrowing levels	£622.6m	£572.4m
Borrowing Rate	2.5% until 22-23, then 3.5% for life of plan	4.5% 23-24, then 5.5% for life of plan
Income from disposals	£1m	£1m
Development Programme delivery period	14 years	15 years
Build cost per unit	New build £400k (AHP) Regeneration £450k New build £350k post AHP	New build £400k (AHP) Regeneration £450k New build £350k post AHP
Net Present Value (NPV) assessment criteria	- £60k per unit	Between -£60k and a Positive NPV
Repayment period	50 years	50 years (60 years for Joyce & Snells)
Grant Levels per unit	Max Affordable £150k & Shared Ownership £50k	Max Affordable £150k & Shared Ownership £50k
Private Sale & Shared Ownership sale value per unit	£400k	£400k
Shared Ownership rents	2.75% on unsold share	3% on unsold share, increased annually by RPI
Contingency within each project	10%	24%
Minimum reserve levels	£6m	£6m

93. The proposed changes in assumptions are based on market knowledge and will enable the service to manage the risk of the future programme. The assumptions have been reviewed in the wider Housing sector to ensure they are reasonable in the current climate.

94. The main changes are described below:

95. The NPV hurdle criteria per unit has been reviewed in light of the increase in borrowing costs and other financial pressures to the Business Plan. Moving to a positive NPV will ensure the development projects adds financial value to the plan, the investment makes financial sense and assists in managing risk through the economic cycle.

96. Future assessments completed on development schemes will be based on these measures. Some schemes will perform better than others with cross subsidy assisting in approving schemes hurdle rates.

97. When purchasing a shared ownership home, you need to pay rent to the Landlord (the Council) for the share you do not own. Its proposed to increase the rent from 2.75% to 3% on the share owned by the Council. This rent charge will increase annually based on the RPI for the last 12 months plus up to 0.5%. Full approval for rents and service charges will be included in the Rent Setting report going to February Cabinet for approval.

98. Market testing on projects that are at planning/tender stages, has shown a 10% build cost inflation along with material supplies being constrained. Therefore, we have increased the contingency requirement for each project to assist us with managing further increases in inflation.

Financial Risks

99. The Base case is predicated on a suite of assumptions which can, if changed in isolation or in concert, have a significant impact on the position of the Council's HRA.

100. Adverse changes in these assumptions therefore present a risk to the HRA, the key risks are as follows:

   a. Long term future rent uncertainty – any rent reductions or freezes will have a significant impact on the Business Plan.

   b. The build cost is based on market intelligence and may in some circumstances be higher as the market is extremely volatile. Significant cost increases experienced due to combined impact of Brexit, Covid-19, the war in Ukraine and constrained supply chains have had an impact on the delivery of the programme. Market conditions will be monitored closely as any impact on build costs would impact the number of units we are able to deliver. A 24% contingency will be built into all future project budgets to mitigate this risk.

   c. There are c. 600 private sales units built into the plan, depending on market conditions the sale of these units could add financial pressure to the business plan and impact on cashflow if the sales were delayed.

   d. Changes in grant conditions could impact the future development programme i.e. reduction in rent levels and grant receivable. The new AHP has been agreed but this is predicated on grant conditions being met in full. Beyond 2026 there is no confirmed grant allocations

   e. Borrowing rates are assumed at 5.5% in the 30-year business plan - if this rate was to increase this would affect borrowing capacity and will impact on the viability of the business plan.

   f. The business plan is based on achieving reductions in Management and Maintenance costs (c. £1m per annum). If these savings aren't achieved it could impact on the affordability of the proposals included.

   g. Decent homes 2, future building regulation changes and the zero-carbon agenda, will require additional funding in the long term, there is currently no long-term funding built into the Business plan.

Safeguarding Implications

101. There are no safe-guarding implications

Public Health Implications

102. Good quality housing plays an essential role in improving public health and wellbeing.

Equalities Impact of the Proposal

103. The HRA 30-Year Business Plan supports the delivery of high-quality services that promote equality and values diversity

Environmental and Climate Change Considerations

104. There are no Environmental and Climate Change considerations

Financial Implications

105. The financial implications are implicit within the body of the report.

Legal Implications

106. Section 74 of the Local Government and Housing Act 1989 sets out that Housing property must be accounted for in the Housing Revenue Account (HRA) by reference to the powers under which it is held. Furthermore, there is a statutory requirement whereby the Council is obliged to keep its HRA separate from other housing activities and not to allow cross subsidy to or from the Council's General Fund resources. In addition, under Section 151 of the Local Government Act 1972 the local authority is required to make arrangements for the proper administration of its financial affairs.

107. The Council has a duty to disclose specific HRA information and its operation as set out in the Housing Revenue Account (Accounting Practices) Directions 2016.

108. On 10th November 2020 Government guidance on the operation of the HRA ring-fence was published. The guidance highlights the need to be fair to both tenants and Council taxpayers and that there should be fair and transparent apportionment of costs between the HRA and the General Fund in accordance with the legislation.

109. Under sections 167-175 of the Localism Act 2011 new provisions were introduced which ended the HRA subsidy system and replaced it with self-financing arrangements. Section 171 empowered the Secretary of State to make provision relating to the level of indebtedness.

110. Under Regulation 12 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) local authorities are required to use Right to Buy receipts to pay the "poolable amount" to the Secretary of State on a quarterly basis.

111. On 29th October 2018, the HRA borrowing cap was abolished and as a result local authority with an HRA are able to borrow against their expected rental income provided this is in line with the current CIPFA Prudential Code.

112. By section 24 of the Housing Act 1985 (as amended) (“the 1985 Act”) the Council has a broad discretion in setting such reasonable rents and other charges as it may determine and must from time to time review rents and make such changes as circumstances may require. This is subject to the 1985 Act’s requirements for notice of a variation which can only take effect four weeks or the rental period (whichever is longer) from the date on which it is served.

113. Further, pursuant to the Housing and Regeneration Act 2008 the Secretary of State has made a direction on the rent standard, which imposed a requirement on the regulator of social housing to set a rent standard in accordance with the policy statement, with effect from April 2020. This now must be complied with in setting and changing rent levels for social rent and affordable rent housing.

114. The Council also has the power pursuant to the 1985 Act to alter, repair or improve its housing stock and a duty under the Landlord and Tenant Act 1985 (as amended) to ensure repairs to its properties are carried out effectively and in a timely manner. Furthermore, under the terms of the leases granted under the right to buy scheme, the Council has an obligation to leaseholders to repair and maintain its housing stock.

115. It should be noted that if the Council wishes to dispose of land or property in the HRA or provide financial assistance the consent of the Secretary of State maybe required unless such disposals fall within the General Disposal Consents in Section 32 Housing Act 1985.

116. In respect of the Council’s public sector equalities duty, current equality impact assessments should be kept under review in case of policy changes.

Workforce implications

117. There are no workforce implications

Property Implications

118. All Property Disposals will be subject to the council’s Property Procedure Rules ensuring best value for the HRA Business Plan.

Report Author: Claire Eldred
HRA Finance Manager
Claire.eldred@Enfield.gov.uk
0208 379 4753

Date of report:

Appendices: A & B 30-year Revenue and Capital budgets;

Background papers: Q2 HRA monitoring 2022/23

Proposed HRA Revenue Budget 30 years

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033-52
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Dwelling Rents	-57.8	-61.6	-68.1	-71.1	-76.0	-81.7	-85.1	-87.6	-90.3	-93.3	-2,336.5
Service Charges Tenants	-3.4	-3.7	-3.9	-4.1	-4.2	-4.4	-4.6	-4.7	-4.8	-4.9	-122.1
Service Charges Leaseholders	-5.0	-5.7	-6.2	-6.4	-6.5	-6.6	-6.8	-6.9	-7.0	-7.2	-177.8
Voids	0.6	0.7	0.7	0.7	0.8	0.8	0.9	0.9	0.9	1.0	23.7
Non-Dwelling Rents	-3.3	-3.7	-3.9	-4.0	-4.1	-4.1	-4.2	-4.3	-4.4	-4.5	-111.2
RTB Administration Income	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-1.0
Total Income	**-69.1**	**-74.3**	**-81.6**	**-84.8**	**-90.0**	**-96.1**	**-99.8**	**-102.6**	**-105.7**	**-109.0**	**-2,724.8**
Responsive Repairs	15.5	17.1	18.3	18.8	19.9	20.6	21.2	21.7	22.2	22.7	566.9
Supervision & Management	15.5	16.8	17.9	18.4	19.5	20.2	20.8	21.2	21.7	22.3	555.6
Special Services	7.0	7.8	8.1	8.3	8.5	8.6	8.8	9.0	9.2	9.3	231.7
Rents Rates Taxes & Other Charges	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	7.8
Bad Debt	0.6	0.7	0.7	0.7	0.8	0.8	0.9	0.9	0.9	1.0	22.9
Depreciation of Fixed Assets Total	11.3	12.3	13.3	13.8	14.6	15.4	16.0	16.4	16.9	17.4	432.8
Expenditure	**50.5**	**55.1**	**58.7**	**60.5**	**63.7**	**66.1**	**68.0**	**69.6**	**71.3**	**73.1**	**1,817.8**
Net (Cost) Of Services	**-18.6**	**-19.2**	**-22.9**	**-24.3**	**-26.4**	**-29.9**	**-31.8**	**-33.0**	**-34.4**	**-35.9**	**-907.0**
Loan Interest	11.6	14.7	17.9	18.6	18.6	18.7	19.7	18.2	23.2	24.1	462.8
Interest Income	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-13.6
Notional Cash Interest	-0.1	-0.7	-0.2	-0.1	-0.2	-0.6	-0.4	0.0	0.0	0.0	-33.4
Capital Account Adjustments	**11.4**	**13.9**	**17.5**	**18.3**	**18.2**	**17.8**	**19.0**	**17.9**	**22.9**	**23.7**	**415.9**
Net Operating Income / (Expenditure)	**-7.3**	**-5.4**	**-5.3**	**-6.0**	**-8.2**	**-12.1**	**-12.8**	**-15.0**	**-11.5**	**-12.2**	**-491.1**

Proposed Capital budget for 30 years - Appendix B

Proposed HRA Capital Budget 30 years

	2023 £m	2024 £m	2025 £m	2026 £m	2027 £m	2028 £m	2029 £m	2030 £m	2031 £m	2032 £m	2033-52 £m
CAPITAL PROGRAMME											
HRA Planned Renewals	40.0	50.0	50.0	16.6	19.7	16.9	14.8	22.6	22.4	28.2	582.7
New Build Properties - Eligible	23.6	12.0	22.1	9.9	0.6	2.0	1.4	4.4	3.1	0.0	4.0
New Build Properties - Non-Eligible	61.5	82.9	42.2	83.1	36.4	62.0	45.9	96.4	97.5	15.3	682.5
Total Capital Programme	**125.1**	**144.9**	**114.2**	**109.6**	**56.7**	**81.0**	**62.0**	**123.4**	**123.0**	**43.5**	**1,269.2**
CAPITAL FINANCING											
HRA Use Of Major Repairs Reserve	-11.3	-12.3	-17.6	-13.8	17.8	-40.4	-15.7	-16.4	-16.1	-16.9	-33.8
Borrowing	-40.5	-56.0	-58.0	-13.0	0.0	-0.5	-19.0	-11.0	-90.0	-16.0	-88.0
Grant Funding	-33.2	-36.0	-4.2	-65.7	-18.1	-0.8	-13.3	-90.1	-10.9	-2.7	-187.2
Useable One-to-One RTB Receipts	-12.3	-8.3	-7.7	-4.8	-4.7	-7.4	-1.7	-1.9	-2.1	-2.2	-81.5
Other RTB Useable Capital Receipts	-2.2	-1.0	-1.0	-1.0	-1.1	-1.1	-1.1	-1.1	-1.2	-1.2	-31.7
Other Sources Of Finance	-29.6	-20.9	-13.5	-11.3	-50.6	-30.7	-11.1	-2.8	-2.8	-4.5	-738.0
Revenue Contributions To Capital Total	3.8	-10.4	-12.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-109.1
Total Capital Financing Detail	**-125.1**	**-144.9**	**-114.2**	**-109.6**	**-56.7**	**-81.0**	**-62.0**	**-123.4**	**-123.0**	**-43.5**	**-1,269.2**