30 Year HRA Business Plan 2022/23 to 2052/53

Finance & Performance Scrutiny Panel
11th January 2023

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Agenda:

- Introduction to the Housing Revenue Account
- The HRA ringfence and what it means
- HRA Business Plan review
- Economic update
- Strategy going forward
- Financial summary
- Questions

Introduction: the Housing Revenue Account

- Vision - Develop affordable homes, improve existing housing stock to create a lifetime of opportunities in Enfield
- 30 year HRA Business Plan to maintain a balanced position
- Asset Management strategy to ensure the stock is kept at good quality (Decent Homes Standard)
- There are currently 10,439 tenanted properties, 4,911 leaseholders, 2,029 garages, 179 shops and 12 community halls
- Rent policy set by Government - from April 2020 authorities would be allowed to increase rents by CPI+1%, for 23-24 rent cap has been applied
- The GLA announced its 21-26 Affordable Homes Programme which allowed Councils to bid for funding for new affordable homes. Enfield was successful in securing £166.5m of GLA grant.
- The development programme provided for 3,500 additional homes in the next 10 years
- HRA 30 year Business Plan is reviewed and updated annually

The HRA ringfence

- The HRA is a ring-fenced account within the general fund and should only be used to support our landlord function
- Guidance from Ministry of Housing states what the HRA can be used for.
- The guidance highlights the need to be fair to tenants and leaseholders.
- Costs should be apportioned fairly between the HRA and the General Fund
- A property receiving a service must be in the HRA and Councils must apply the ‘who benefits test’
- Core services must clearly benefit tenants and leaseholders including;
  - Repairs and maintenance
  - General Estate Management
  - General Tenancy management
- Non core includes - Street lighting, Dog wardens, Personal care services and the Housing Advisory service

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Business Plan review

- The HRA Business Plan is subject to an annual review to ensure the assumptions are deliverable and the plan remains viable.
- The review in December 2022 included the following updates:
  - Update on the economic position
  - Revised 10-year development programme and strategic approach to secure ongoing delivery
  - Updated RTB receipts spending proposal
  - Updated borrowing profile, including interest rate update
  - The 10-year investment in stock programme
  - Revenue budget update, including savings proposals
  - CPI update, including rent cap consultation
  - Financial framework update, including, financial metric and assumptions

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Economic Update

- 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

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

Strategy 2023/24 (1)

- **Development** – managing the volatile market
  - Develop a partnership strategy to secure delivery
  - acquiring homes from Developers
  - Pausing schemes
  - reviewing the scope and potential for value engineering on existing schemes
  - Updated hurdle rates on projects to ensure projects add value to the business plan
  - Continue to work with the GLA – secured £166.5m as part of the GLA’s Affordable Housing Programme, following a successful funding bid
  - Maximise RTB receipts funding @ 40% of total scheme cost

Strategy 2023/24 (2)

- **Investment in Council Homes**:

- Resources based on a hierarchy of prioritisation
  1. building safety and compliance
  2. decency
  3. energy efficiency/sustainability

- Stock will be at desired decency targets as part of a three-year programme meaning targets will be reached in 2025
- Disposal strategy to achieve £1m income per annum to assist in funding the programme

Strategy 2023/24 (3)

- **Investment in quality housing services**:
- annual efficiency targets against management and maintenance budgets is £1m per annum for the next three years
- The areas of focus include:
  - driving down the reactive repair’s cost
  - updating the voids specification to bring the average void cost down
  - reviewing staff structures
  - 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
  - reviewing rent charges on our non-dwelling assets

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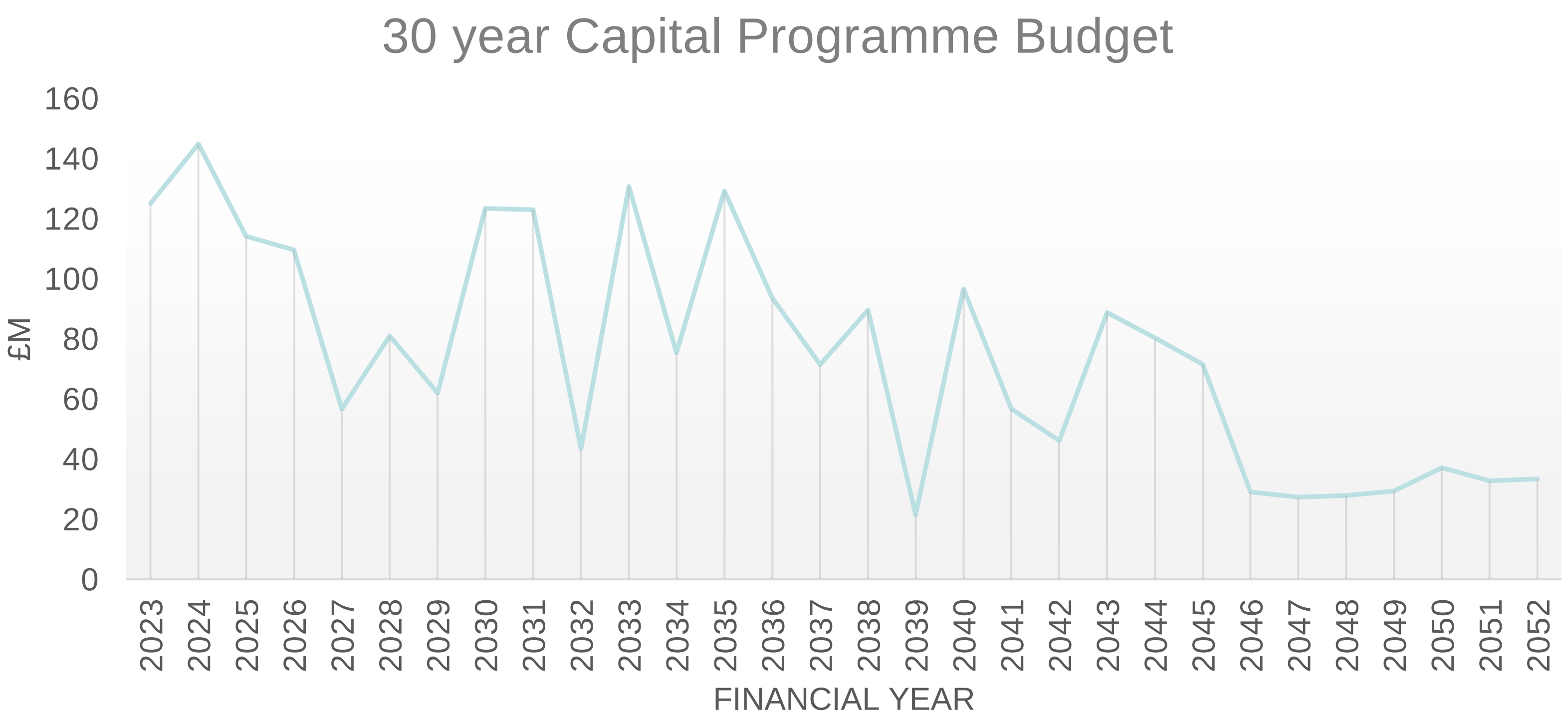
Financials - Capital Programme



- £2.2bn capital programme over next 30 years
- *Funded by:*
- borrowing (£392m),
- Major repairs reserve(£176m),
- Grant (£462m)
- Capital receipts and HRA reserves (£1.2bn)
- Peak spend in 2032/33

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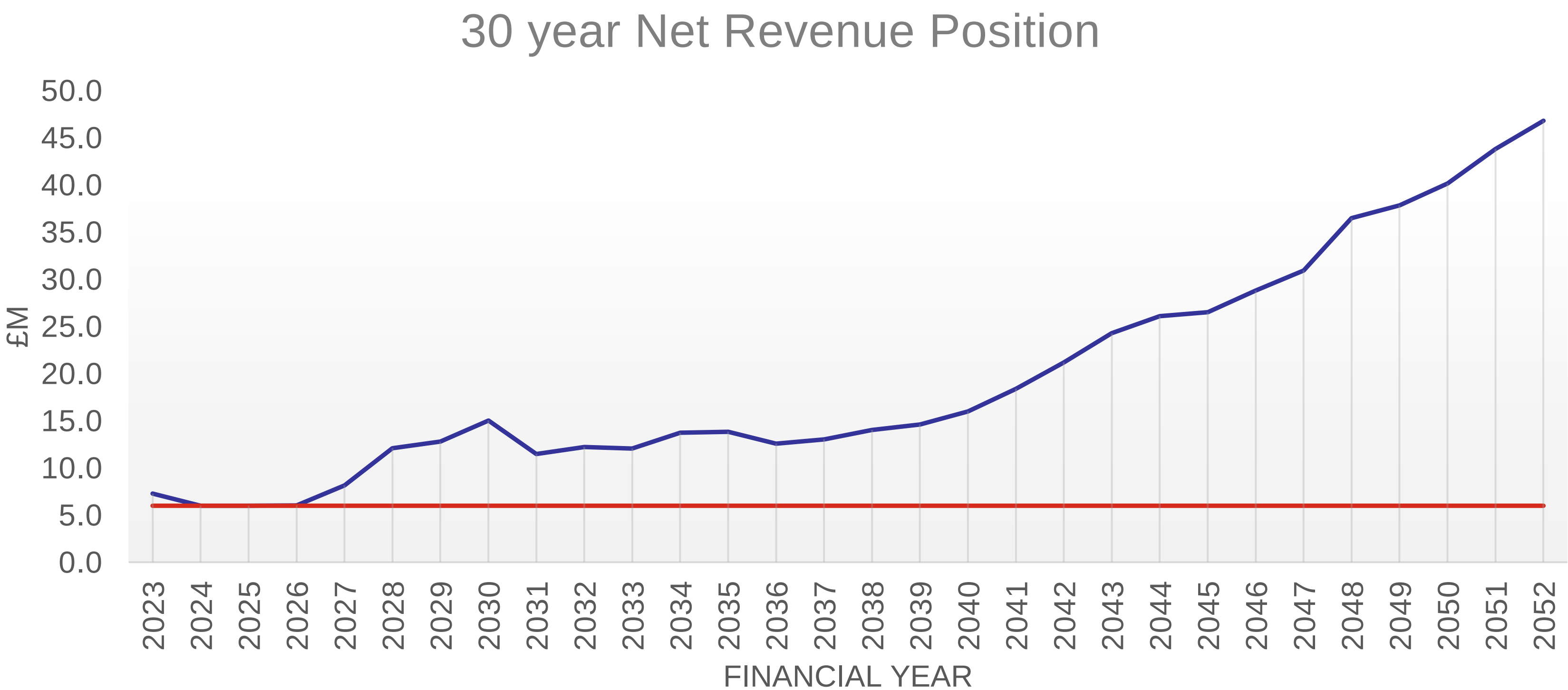
Financials – Revenue Budget



- Minimum reserves position (red line) recommended at £6m
- 30 year net revenue position (blue line) – surpluses are positive and growing
- Includes efficiency savings (£1m per annum for next three years)

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Financial Assumptions 2022/23

Assumption	2022-23	2023-24
Inflation (CPI)	3.1%	10.1%
Efficiency savings per annum	£1m	£1m
Borrowing levels	£622.6m	£660.4m (Existing £268.4m, New £392m)
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

Questions?

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