

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET

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Powys**

**REPORT TITLE: Housing Revenue Account (HRA) Thirty Year
Financial Business Plan 2024-2025.**

REPORT FOR: Decision

1. Purpose

- 1.1 The purpose of this report is to present for approval the Housing Revenue Account (HRA) Thirty Year Financial Business Plan Starting 2024-2025 as set out in the HRA Business Plan Narrative (attached to this report as Appendix A).

2. Background

- 2.1 All councils in Wales in their role as the Strategic Housing Authority have the responsibility to plan for the housing needs of their population. Powys is one of the eleven stock retaining local authorities in Wales, providing 5,500 affordable, secure homes across the county, as well as an ongoing programme to develop a further 350 new homes, scheduled for completion by the end of 2031, with plans to expand that programme further in future years.
- 2.2 Landlord councils in Wales are required to present an “acceptable” HRA Business Plan, including a thirty-year financial model, to the Welsh Government each year. The Plan must conform to a structure and Business Plan parameters set out by the Welsh Government. This is to allow the Welsh Government to assess the progress of local authorities in maintaining the Welsh Housing Quality Standard (WHQS) to be eligible for the annual Major Repairs Allowance (MRA) Grant (for Powys £3,732,000 in 2024-2025). Powys achieved WHQS compliance in December 2018. In April 2024, WHQS-2023 comes into effect. WHQS-2023 increases the standards expected of all social landlords providing homes in Wales, with full compliance across all homes owned by each social landlord required by no later than March 2034.
- 2.3 The HRA borrows to fund capital works such as the new build and improvement programmes. The level of borrowing is closely monitored as this is related to annual capital financing costs. The Council is required by regulation to have regard to the Prudential Code when carrying out its duties under Part 1 of the Local Government Act 2003. Any borrowing undertaken for the HRA Business Plan is ‘unsupported’, in so much as there is no financial support from the Welsh Government for the cost of such borrowing. Schemes, such as development of new homes, may however benefit from grants to help cover cost of such projects.

- 2.4 This means that the Council is able to borrow additional resources without statutory limit to fund investment in both existing and new homes, as long as the income generated by the HRA from rents and other charges is able to cover the cost of servicing and repaying the debt.
- 2.5 On January 16th, 2024, Cabinet approved an increase in rents and other charges levied by the HRA in line with the Welsh Government's policy for social housing rents, which calculates rent levels using a number of factors including economic and housing market data.
- 2.6 The impact of the increases in the cost of living have been taken into account in developing the Business Plan. Financial modelling has been carried out to account for the risks of increasing rent arrears and the additional resources needed to make sure that rent due to the Council is paid promptly.
- 2.7 The HRA Thirty Year Business Plan starting 2024-25 for Powys:
- Supports the outcomes of the Council's Corporate and Strategic Equalities Plan: 'Stronger, Fairer, Greener'.
 - Makes sure the HRA treasury management strategy is prudent and complies with the Council's approach to borrowing.
 - Sets a balanced budget with minimum reserve of £1,000,000 (or 3% of expenditure).
 - Allows the Council to maintain the current WHQS for current homes but within current income projects is not able to cover in full the predicted additional costs arising from WHQS-2023.
 - Supports the development of at least 350 new homes by 2031.
 - Balances the need to keep rents affordable with making sure that homes are maintained and kept in good condition.
 - Maximises revenue and expenditure efficiencies.
 - Complies with the Prudential Code

3. Advice

- 3.1 To make sure that the Council continues to make efficient use of its housing assets and operates a sustainable landlord service, the HRA Business Plan, as proposed for approval, has been informed by a long-term approach to important investment programmes. Half of the Council's homes are sixty years old or more, meaning that increasing levels of investment are needed to keep them in a habitable condition.
- 3.2 Detailed proposals are set out in the HRA Business Plan narrative, attached as Appendix A to this report, for the five-year period starting in 2024-2025. This allows for a strategic approach to be taken to investment decisions and planning and allows for more informed consultation and communication with residents and tenants. A summary of the current proposals, for the five years beginning 2024-2025, is presented below. The figures for 2024-2025 will form the basis of the budgets for that particular year.
- 3.3 New Homes for Powys (Capital Programme)
- 3.3.1 There were 4,133 (January 2024) people registered with Homes in Powys for affordable, rented homes. A new build housing programme is underway which will deliver at least 350 new council homes by 2031. Further schemes are being developed to expand this programme. However, new development is

subject to land and development opportunities and all necessary planning, regulatory and environmental consents being secured by the Council. Developing homes available for let at social rents or sale at below market prices is not usually possible without direct grant support from the Welsh Government. This is to offset such expenditure as land acquisition which reflects open-market property and construction costs to meet Welsh Government requirements for social housing. Such grant support is not available to fund core HRA borrowing. At a time of rising land and construction costs, the scale and pace of continued development of homes available for accommodation at sub-market rates will depend upon the availability of grant from the Welsh Government and securing competitive construction costs that allow schemes to recover their costs within sixty years. If grant falls and land and construction costs continue to increase, the Council will need to consider alternative financial models which would support the continued development of new homes by the HRA.

3.3.2 The Council has between 2018-2019 and the end of January 2024 purchased 59 homes on the open market, the majority of which have been ex-municipal homes. In determining which properties to purchase there has been a focus on those in areas of high demand and where the new build programme is unlikely or due to planning and land restrictions, unable to meet the need. All such purchases are subject to the same viability criteria as new build, with appropriate allowances made for any works needed to bring the properties up to WHQS. The programme will continue to be a significant part of the Council's ambitious plans to increase the availability of genuinely affordable, secure rented homes across Powys.

3.3.3 The development of new homes by the Council, and the acquisition of existing homes to increase the availability of affordable, secure housing, improves the overall sustainability of the HRA. Over the Council's adopted sixty-year viability assessment benchmark, the income generated by additional homes covers not only the cost of building or acquiring, and then managing and maintaining those homes, but also contributes a surplus to the HRA.

Table 3.3.2: New Homes for Powys Financial Summary 2024-25 to 2028-2029

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<i>Financial Year</i>	<i>New Build (£)</i>	<i>Number of Homes Completed</i>	<i>Acquisitions (£)</i>	<i>Number of Homes Acquired</i>
2024-2025	£22,418,644	4	£2,000,000	10
2025-2026	£14,474,479	72	£2,000,000	10
2026-2027	£9,548,404	168	£2,000,000	10
2027-2028	£28,629,746	20	£2,000,000	10
2028-2029	£28,561,625	70	£2,000,000	10
Total	£103,632,898	334	£10,000,000	50
Notes				
Completions and acquisitions will be dependent upon securing all necessary planning, environmental and other regulatory consents, securing viable development sites and where needed Social Housing Grant.				
Number of homes completed refers to being able to develop on secured, unsecured and phosphate impacted sites.				













Investment planned for each year will cover completing earlier schemes, progressing current developments and preparing for future projects.

The figures shown in the table above are the gross scheme cost before any grant contributions, the New Build and Acquisitions Programme assumes that Social Housing or other Grants will contribute on average 40% of the gross costs.

3.4 WHQS-2023 (Capital Programme)

3.4.1 The Welsh Government in October 2023 published WHQS-2023 (attached to this report as Appendix B). WHQS-2023 majors on the 'decarbonisation' of social homes across Wales and is designed to contribute to the Welsh Government's ambition for the public sector to be collectively net zero by 2030.






3.4.2 The current WHQS requires all social homes in Wales to have up-to-date well-designed kitchens, utility areas and bathrooms, accessible gardens and outdoor space, safe and secure doors and windows, safe places in which to live with particular regard to fire safety, heating systems and electrical systems and each home to be in a good state of general repair and free from damp. The additional requirements of WHQS-2023 include:

-  All the Council's homes having by March 2034 a Standard Assessment Procedure (SAP) energy rating of 'SAP 92 – A' (with an interim requirement for each home to meet 'SAP 75 – C' by March 2030).
-  Heat Loss Parameter of less than 2.6 W/m² for each home.
-  The Council's whole housing stock must, when accounted for altogether, by March 2034 achieve carbon emissions equivalent to an Environmental Impact Rating (EIR) of 92.
-  All installations of all measures taken to achieve SAP A and EICR 92 must comply with the current version of 'PAS2035 Retrofitting Dwellings for Improved Energy Efficiency'.
-  Potential water consumption is, through the use of water-saving fixtures when replacing fittings and fixed appliances, be less than 110 litres per person per day, effective from April 2024.
-  Water butts are to be installed where possible, effective from April 2024.
-  External lockable storage for cycles and equipment is to be made available for all tenants, effective from April 2024.
-  At change of tenancy all habitable rooms (bedrooms and living rooms), staircases and landings located within the home should have suitable floor coverings, effective from April 2024
-  Exposure to noise resulting from inside the home caused by lack of sufficient sound insulation or within its curtilage, is to be minimised, effective from April 2024.
-  Adequate space needs to be provided for local recycling requirements.
-  Biodiversity opportunities are to be introduced for verges, parks, grounds and open green spaces to make them more wildlife friendly, effective from April 2024.
-  Each home must have adequate facilities for washing, drying and airing clothes, effective from April 2024.

3.4.3 By March 31st, 2034, the Council will be required to confirm to the Welsh Government that all its homes meet WHQS-2023.

3.4.4 To meet the standards required for compliance with WHQS-2023 will likely require a major investment in each home, over and above that required to maintain the current WHQS, make sure the Council's homes are Fit for

Human Habitation as required by the Renting Homes (Wales) Act 2016 and do not have any avoidable Category One hazards as defined by the Housing Health and Safety Rating System.

- 3.4.5 To meet the standards required for compliance with WHQS-2023 will likely require a major investment in each home, over and above that required to maintain the original WHQS. High level estimates of the cost of WHQS-2023 across all homes owned by the council is estimated to be £179,322,050. For different types of homes provided by the Council, the investment need ranges from £34,050 for a flat, £47,550 for a house and £58,550 for a bungalow, taking account of works already completed and components installed that will contribute towards meeting WHQS-2023. Those figures could equate to a possible rent increase of £23 per week for a flat, £33 a week for a house and £40 a week for a bungalow.
- 3.4.6 Until the Whole Stock Assessment and Target Energy Pathway for each property are completed, these figures are estimates based on our current understanding of the condition and energy efficiency of our homes, the costs of works already undertaken similar to those required by WHQS-2023 and our knowledge of the construction industry and market for materials and components. They are presented not as a definitive assessment of costs but as an initial stage of scoping the extent to which the HRA will need to plan and make provision for resourcing the WHQS-2023 programme.
- 3.4.7 WHQS-2023 makes provision for the Council to set out by March 31st 2025 its timeline for achieving WHQS-2023. This must include the Council having completed the following actions:
-  Assess the condition of its stock and the work necessary to meet WHQS-2023.
 -  Estimate the investment needed to achieve WHQS-2023.
 -  Complete tenant engagement on the WHQS-2023 programme.
 -  Prepare and submit a Compliance Policy to the Welsh Government.
 -  Update the Housing Revenue Account Thirty Year Business Plan to reflect the programme to achieve WHQS-2023.
- 3.4.8 By March 31st, 2027, the Council must have produced a bespoke Target Energy Pathway (TEP) for every home owned by the Council, informed by a Whole Stock Assessment to be completed by the same date.
- 3.4.9 Housing Services is now designing and preparing to commission a Whole Stock Assessment, that will aim to complete a technical condition survey and TEP for all of the 5,523 homes owned by the Council. This work, which will require home visits to all the homes owned by the Council. should be completed by 2026. Provision for the cost of this required work, estimated at £2,842,000, has been included in the Housing Revenue Account (HRA) Thirty Year Financial Business Plan 2024-2025.
- 3.4.10 It is not yet clear what additional financial support will be made available from the Welsh Government to allow landlords to meet the requirements of WHQS-2023 by March 2034. The Welsh Government's Five-year Rent Policy is due for renewal in 2024-2025 for implementation from 2025-2026 onwards and may include provision for increases in rent paid by tenants to create additional income which could contribute towards the costs of WHQS-2023. However, any increases over and above prevailing inflation rates may lead to social housing, in time, becoming less affordable for tenants.

3.4.11 Accordingly, the HRA Business Plan has been designed to make sure the Council's homes continue to meet the current WHQS and make provision for the initial stages of WHQS-2023 – the completion of the Whole Stock Assessment and the associated TEPs. As the findings of the Whole Stock Assessment are completed, it will be possible to develop an informed financial assessment of the investment needed to achieve by March 31st, 2034, WHQS-2023. The only costs relating to WHQS-2023 have been built into the HRA Business Plan 2024-2025 are for the Whole Stock Assessment (including Target Energy Pathways) and floor coverings for void properties.

Table 3.4.11: WHQS Programme Financial Summary 2024-25 to 2028-2029

WHQS Programme Financial Summary 2024-25 to 2028-2029					
<i>Investments</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>	<i>2028-2029</i>
Kitchens	£400	£600	£800	£1,000	£1,980
Bathrooms	£250	£0	£400	£600	£400
Rewiring	£120	£100	£45	£250	£400
Windows and Doors	£550	£0	£200	£0	£1,920
Roofing	£1,550	£400	£400	£400	£1,600
Walls	£750	£650	£650	£0	£0
Estate Works (contribute to Love Where You Live)	£1,000	£1,200	£1,200	£1,200	£1,200
Heating (contributes to Green Powys)	£950	£1,400	£1,400	£1,400	£1,400
Energy Efficiency (contributes to Green Powys)	£150	£150	£150	£150	£150
Asbestos Management (contributes to Compliance One Hundred)	£150	£150	£150	£0	£0
Management Fees	£785	£793	£801	£809	£817
Miscellaneous WHQS	£275	£250	£250	£250	£250
Total WHQS	£6,930	£5,693	£6,446	£6,059	£10,117
WHQS - 2023					
Whole Stock Assessment (including Target Energy Pathways)	£1,400	£1,442	£0	£0	£0

Floor Coverings	£375	£386	£396	£406	£416
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3.4.12 The WHQS programme also contributes to the objectives of the Green Powys and Compliance One Hundred programmes (see sections 3.5 and 3.6).

3.5 Compliance One Hundred

3.5.1 The Compliance One Hundred programme is designed to make sure that all of the Council homes and associated assets are one hundred per cent compliant with all relevant and applicable legislation and regulation. The investment schemes detailed below are in addition to those included within the WHQS programme, detailed above in section 3.4 and Day-to-Day Repairs and Maintenance which includes all inspections and servicing of safety-critical components and assets, such as heating systems and lifts.

Table 3.5.1: Compliance One Hundred Programme Financial Summary 2024-25 to 2028-2029

Compliance One Hundred Programme Financial Summary 2024-25 to 2028-2029					
<i>Investment</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>	<i>2028-2029</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Fire Safety Works	£500	£100	£100	£100	£100
Water Supply and Sewerage Works	£30	£100	£100	£100	£100
WHQS Contributions to Compliance One Hundred	£150	£150	£0	£0	£0
Revenue Compliance Repairs & Maintenance	£1,515	£1,560	£1,599	£1,639	£1,680
Total Compliance One Hundred Investment Programme	£2,195	£1,910	£1,799	£1,839	£1,880

3.6 Green Powys

3.6.1 The Green Powys programme is designed to contribute to the Council's aim to be a 'net zero' organisation by 2030 and the declarations of 'Climate Emergency' in September 2020 and a Nature Emergency' in October 2022. Green Powys will increase fuel efficiency, reduce fuel poverty for tenants of the Council, make tangible improvements to the wider environment, with a particular emphasis on increasing planting of trees, shrubberies and other

actions to promote bio-diversity, encourage appreciation of the natural world and give a greener feel to our communities.

3.6.2 WHQS-2023 will, as it is rolled out, make a significant contribution towards Green Powys. However, the full extent of this contribution will be dependent upon securing the necessary resources, over and above that which can be funded from the current predicted income to the HRA, to fund the works.

3.6.3 In 2024-2025, the second year of the 'Optimised Retrofit for Powys' (ORP) initiative will continue to improve the thermal efficiency of Council-owned homes. ORP blends Optimised Retrofit Programme and Energy Company Obligation funds. For 2024-2025, a new approach to delivering these improvements will be introduced, to reduce the links in the delivery chain between the funders and tenants and allow for much greater levels of quality control over both the process and the works themselves.

Table 3.6.3: Green Powys Programme Financial Summary 2024-25 to 2028-2029

Green Powys Financial Summary 2024-25 to 2028-2029					
<i>Investment</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>	<i>2028-2029</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Damp Prevention	£500	£375	£250	£250	£250
Decarbonisation and Energy Efficiency	£0	£250	£250	£250	£250
WHQS Contributions to Green Powys	£1,650	£1,550	£1,750	£1,550	£3,470
Total Green Powys Investment	£2,150	£2,175	£2,250	£2,050	£3,970

3.7 Fit for Life

3.7.1 The Fit for Life programme is designed to make the Council's homes better suited to the needs of older people and those with health-related needs that impair or adversely affect their mobility.

Table 3.7.1: Fit for Life Programme Financial Summary 2024-25 to 2028-2029

Fit for Life Programme Financial Summary 2023-24 to 2027-2028					
<i>Investment</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>	<i>2028-2029</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Adaptations - Capital	£250	£250	£250	£250	£250
Adaptations - Revenue	£590	£608	£623	£638	£654
Total Fit for Life Investment	£840	£858	£873	£888	£904

3.8 Love Where You Live

3.8.1 The Love Where You Live tenancy sustainability strategy is designed to make the homes and estates managed by the Council places where people can enjoy their lives and we improve the wellbeing of our residents. The investment schemes detailed below are in addition to those included within the WHQS programme, detailed above in section 3.4.

Table 3.8.1: Love Where You Live Programme Financial Summary 2024-25 to 2028-2029

Love Where You Live Programme Financial Summary 2022-23 to 2026-2027					
<i>Investments</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>	<i>2028-2029</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Brecon Area Estate Improvements	£15	£15	£16	£16	£17
Newtown Area Estate Improvements	£15	£15	£16	£16	£17
Welshpool Area Estate Improvements	£15	£15	£16	£16	£17
Wye Valley Estate Improvements	£15	£15	£16	£16	£17
Ystradgynlais Estate Improvements	£15	£15	£16	£16	£17
Garage Strategy	£175	£175	£0	£0	£0
Play Area Improvements	£25	£26	£26	£27	£28
Play Area Improvements	£25	£25	£25	£25	£25
WHQS Contributions to Love Where You Live (Estate and Boundary Works)	£1,000	£1,200	£1,200	£1,200	£1,200
Total Love Where You Live Investment	£1,300	£1,503	£1,331	£1,333	£1,336

3.9 Community Alarms

3.9.1 From April 1st, 2024, all Council tenants will be charged £3.91/week for the Careline Service. This means that the charges for the Careline service are equitable for all tenants, regardless of the type of property in which they live and whether or not they are in receipt of Housing Benefit or the Housing Element of Universal Credit. The new charge now accurately reflects the cost of providing the Careline service including the replacement of the current equipment that is not digitally compatible, in preparation for the Digital 2025 'Switchover'.

3.9.2 During 2024-2025, a set of proposals will be considered by the Council for the future of the Careline community alarm service, offered to both tenants of the Council and people living in privately owned accommodation. Given the choice of other digital options now available at different price points, the proposals will include consideration of whether or not the Council continues to directly provide the service.

3.10 Repairs and Maintenance (Revenue Programme)

3.10.1 Repairs and maintenance to all Council-owned homes are delivered directly by Housing Services. By the spring of 2024 the service, through the Full Capability Initiative, will have recruited the tradespeople and operatives needed to fully meet demand for high quality repairs, supported where necessary to meet unforeseen demands for works or specialist skills by external sub-contractors.

3.10.2 Inflation in the construction sector – both materials and labour – remains higher than mainstream inflation increasing the financial pressures on the HRA to be able to maintain homes to the standards expected by our tenants. By the spring of 2024, a new framework is planned to be in place to reduce the cost of materials and greater in-house capacity and capability will help shield the Council from rising costs from external contractors. The appointment of apprentices is planned for the autumn of 2024 to provide the skilled workers of tomorrow.

Table 3.10.2: Repairs and Maintenance Programme Financial Summary 2024-25 to 2028-2029

Repairs and Maintenance Financial Summary 2024-25 to 2028-20289					
<i>Investments</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>	<i>2028-2029</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Day to Day Repairs & Maintenance	£1,971	£2,030	£2,080	£2,132	£2,186
Voids Repairs & Maintenance	£2,975	£3,064	£3,141	£3,219	£3,300
Stock Survey (contributes towards WHQS-2023)	£1,400	£1,442	£0	£0	£0
Repairs and Maintenance Compliance	£1,515	£1,560	£1,599	£1,639	£1,680
Repair and Maintenance Adaptations	£590	£608	£623	£638	£654
Total Repairs and Maintenance Investment	£8,450	£8,704	£7,443	£7,629	£7,820

3.11 Management and Services

3.11.1 The HRA Business Plan includes provision for Supervision and Management Costs, which cover the costs of managing the service, for example staff, support services and office costs.

Management and Service Costs Financial Summary 2024-25 to 2028-2029					
<i>Investment</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>	<i>2028-2029</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Staffing	£9,892	£10,189	£10,444	£10,705	£10,973
Staffing - Non pay related costs	£183	£189	£194	£199	£204
ICT	£118	£121	£124	£127	£131
Fleet and Associated Costs	£480	£494	£507	£519	£532
Service Support Costs	£1,331	£1,371	£1,405	£1,440	£1,476
Grounds Maintenance	£986	£1,015	£1,041	£1,067	£1,093
Vehicle Replacement	£416	£428	£439	£450	£461
Premises - Depots and Offices	£207	£213	£218	£225	£230
Utilities	£292	£300	£308	£316	£323
Additional Management Costs New Builds	£2	£14	£49	£78	£95
Other costs	£523	£539	£552	£566	£580
Total	£14,429	£14,874	£15,280	£15,691	£16,098

3.11.2 Housing Services is preparing to introduce a new, all-service ICT system by 2025-2026. This will improve Knowledge Information Management including preparing for the results of the Whole Stock Assessment and TEPs integral to WHQS-2023 and the development in 2025-2026 of a pro-active Asset Management Policy.

3.11.3 The system specification has been designed around the needs of our tenants and the way services are provided. The new integrated system will use components from different software suppliers, the outcomes being greater efficiency in designing and organising works, more accurate record keeping and swifter responses to tenant enquiries. Provision for the cost of replacing and upgrading ICT is included in the HRA Business Plan.

3.11.4 The pro-active Asset Management Policy will be developed to allow the Council to make informed investment and divestment decisions about the property holdings held by the HRA. For example, properties in areas with low housing demand and with high maintenance costs may be considered for sale to provide the resources to acquire or develop lower maintenance homes in

areas of higher demand. The policy will be presented to Cabinet for consideration during 2025-2026.

4. Resource Implications

4.1 The HRA Business Plan submission to the Welsh Government sets out how the Council will fund the service, aggregating certain categories of expenditure within generic headings set by the Welsh Government to help manage the allocation of MRA. Councils are however free to allocate investment across programmes of their own choosing. Table 4.1 sets out how Powys County Council proposes to invest in and fund the HRA Business Plan for next five years. All data is sourced from the HRA Thirty Year Financial Business Plan 2024-2025.

Table 4.1: HRA Business Expenditure, Income and Financing Summary 2024-2025 to 2028-2029

HRA Business Expenditure, Income and Financing Summary 2024-2025 to 2028-2029					
	<i>2024/25</i>	<i>2025/26</i>	<i>2026/27</i>	<i>2027/28</i>	<i>2028/29</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Capital Expenditure					
WHQS Improvements & Maintenance	£6,930	£5,693	£6,446	£6,059	£10,117
New build (tab 8)	£24,419	£16,474	£11,548	£30,630	£30,562
Other Improvements	£2,855	£1,325	£975	£975	£975
Other Capital Expenditure	£1,400	£0	£0	£0	£0
Sub Total	£35,604	£23,493	£18,970	£37,664	£41,654
Capital Funding					
Major Repairs Allowance	£3,720	£3,720	£3,720	£3,720	£3,720
Capital Receipts (Tab 2)	£13,330	£7,961	£5,252	£15,746	£15,709
Borrowing (Tab 7)	£14,654	£9,012	£6,098	£14,298	£18,325
Capital Expenditure funded by HRA	£3,900	£2,800	£3,900	£3,900	£3,900
Sub Total	£35,604	£23,493	£18,970	£37,664	£41,654
Revenue Expenditure					
Management Costs (Tab 4)	£14,429	£14,874	£15,280	£15,691	£16,098
Repairs & Maintenance (Tab 5)	£8,450	£8,704	£7,443	£7,629	£7,820
Interest	£4,080	£4,688	£4,555	£4,705	£5,095
Capital Financing Charge	£1,211	£1,548	£1,795	£1,987	£2,361
Sub Total	£28,169	£29,814	£29,074	£30,012	£31,375

Revenue Funding					
Gross Rental Income	£31,125	£32,366	£34,096	£35,729	£37,119
Garages	£651	£671	£688	£705	£722
Other Commercial Rental Income	£22	£23	£23	£24	£24
Voids	-£1,088	-£961	-£825	-£646	-£665
Bad Debts	-£700	-£728	-£767	-£804	-£835
WG Affordable Housing Grant (AHG)	£203	£203	£203	£203	£203
Interest on Balances	£0	£11	£12	£19	£28
Other Income	£456	£470	£482	£494	£506
Sub Total	£30,669	£32,054	£33,911	£35,724	£37,103
Surplus / - Deficit for Year	£2,500	£2,240	£4,837	£5,712	£5,728
Capital Expenditure funded by HRA	£3,900	£2,800	£3,900	£3,900	£3,900
Balance Brought Forward (HRA Reserve)	£3,958	£2,558	£1,997	£2,934	£4,746
Surplus / - Deficit after CERA	-£1,400	-£560	£937	£1,812	£1,828
Balance Carried Forward (HRA Reserve)	£2,558	£1,997	£2,934	£4,746	£6,574

4.2 The financial model includes many assumptions, the primary ones being detailed below in section 4.3. Due to the long-term nature of the forecasts within the Business Plan, the uncertainty inherent in trying to predict future economic trends and factors, these assumptions are extremely sensitive to change.

- 4.3 The primary assumptions made to inform the HRA Business Plan are:
- Rental income will increase by CPI + 1% per year, the maximum allowed by the Welsh Government's Rent Policy, with the exception of 2024-2025 when maximum rent increases were limited by the Welsh Government to 6.7%.
 - Service charges are increased for future years in line with inflation for full cost recovery.
 - The Welsh Government will in future years allocate grant to support the development of social and low-cost housing on a scheme-by-scheme basis. For the purposes of forward planning, an average grant rate of 40% has been assumed.
 - The Welsh Government Major Repairs Allowance receivable is assumed to remain at previous levels of £3,732,000 per year.
 - Void loss and bad debt have been assumed at 5.75% (3.50% voids and 2.25% bad debt). Work continues to reduce void turnaround times, with

substantial improvements already made in the time taken to let a property once it has been returned to the Council fit to let.

- The average interest rate for current debt is 3.3%, any new borrowing is assumed at the following rates, 4.2% 2023/24, 4% 2024/25, 3.5% 2025/26, 3.2% 2026/27 and 3% 2027/28.
- General inflation as per the Powys County Council's FRM for 2024-25, 3% for 2025-26 and 2.5% afterwards. 6.7% for CPI in 2024-25, 2.1% in 2025-26 and 2% annually afterwards.
- A minimum balance of £1,000,000 will be maintained over the medium term to mitigate against any future risks.

4.4 The Business Plan is subject to regular review to make sure new expenditure, to be paid for by borrowing. This is undertaken for essential improvements or for schemes that have an element of pay back, such as the development of new homes. This is to make sure that there are no long-term issues of affordability and sustainability in respect of borrowing.

4.5 The Business Plan process requires the Council to assess the impact of a number of key variables and how changes in these may impact on priorities both in capital investment and for revenue budgets.

4.6 It should be noted that the HRA is ring fenced. This means it can only draw income from rental income, self-generated income and approved grants from the Welsh Government. It cannot benefit in any way from General Fund income. By the same token, the HRA can only be used to fund services and investment of direct benefit to domestic tenants of the Council. It cannot be used to fund General Fund services or investment.

4.7 The Head of Finance (Section 151 Officer) notes the content of this report and is satisfied that the HRA Business Plan is acceptable, that the assumptions contained within the report are appropriate but noting the sensitivity to change in the current economic climate. The report sets out the new requirements with regard to meeting WHQS-2023; the full cost of achieving this is not yet included in the Business Plan. The completion of the Whole Stock Assessment and the associated TEPs will inform the financial assessment required in order to update the plan. It will therefore be kept under review. The plan conforms to the structure and business plan parameters set out by Welsh Government. The plan is therefore viable and can be supported from a financial perspective.

5. Legal implications

5.1 The Principal Housing Solicitor has commented as follows: The Cabinet Report sets out some of the difficulties that the Housing Service will have regarding the incorporation of the new legislation from Welsh Government and an ageing housing stock without any additional funding. The Principal Solicitor for Housing agrees with the content and the recommendations as set out in this report.

5.2 The Head of Legal Services and the Monitoring Officer has commented as follows: I note the legal comment and support the recommendation.

6. Climate Change & Nature Implications

- 6.1 The HRA Business Plan includes provision for making the Council's homes more energy efficient and to support a greener approach to managing and maintaining the Council's housing estates.

7. Data Protection

- 7.1 The proposals and recommendations contained in this report do not involve the processing of personal data.

8. Comment from local member(s)

- 8.1 This matter has equal effect across the Council.

9. Integrated Impact Assessment

- 9.1 An Impact Assessment has been completed in respect of this report and is attached as Appendix C.
- 9.2 The Impact Assessment shows that the proposals for the HRA Thirty Year Business Plan 2024-2025 set out in this report contribute positively to maintaining and developing the Council's role as responsive and viable social landlord. A balanced approach has been taken between maintaining and improving existing homes and increasing the range of affordable housing options available for the people of Powys. Risks arising from changes by the Welsh Government to rent, affordable housing grant policy and inflationary construction costs are well mitigated. Mitigation in respect of WHQS-2023 is as advanced as it can be at this time, taking into account continued uncertainty about funding for the programme and until the Whole Stock Assessment and TEPs have been completed for Powys, an evidenced assessment of the costs for the Council. The Powys HRA Thirty Year Business Plan makes a substantial contribution towards making 'Stronger, Fairer, Greener' a reality, which includes 'Transforming Where We Live' within the Transformation Portfolio.
- 9.3 The impact on the Council of not approving the proposed HRA Thirty Year Business Plan, set out in this report, will be considerable. There will be a high risk of the Council not being to comply with the Welsh Government's requirement for the Council to have in place by April 1st, 2024, a sustainable and viable HRA Thirty Year Business Plan. This may result in the loss of MRA (£3,732,000 per annum) and direct intervention by the Welsh Government in the management of the landlord service.

10. Recommendation

- 10.1 Cabinet is recommended to:
- 10.1. Approve the Housing Revenue Account (HRA) Thirty Year Business Plan 2024-2025, as set out in the HRA Business Plan Narrative (attached to this report as Appendix A).

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