Appendix 2

HRA MTFP & Business Plan - Operational Impact and Risks

Background and Context

The Housing Revenue Account is a ring -fenced budget, which is required to be self-financing through the rent debit and cannot be cross subsidised by the General Fund. Any, and all income and surpluses, must be used to deliver the HRA functions and provide services to tenants.

It is required, that the HRA Business Plan, must demonstrate an end of year operating surplus, which in 2023-24, allowing for a 7% increase in rents, has been calculated as £0.312 million.

In the longer term, any unfunded increase in revenue expenditure would impact on the capital funding available in the Major Repairs Reserve. Should this happen, the council would be unable to deliver all of the current cyclical capital programmes, such as the replacement of bathrooms, kitchens, electrical re-wires, heating upgrades etc. Should the council be unable to replace key building elements then there will be an increase in homes failing to meet the "Decent Homes Standard", which again would expose the Authority to further scrutiny from the Social Housing Regulator.

Priorities and Social Housing Regulation Bill

The Social Housing Regulation Bill, which is being brought forward post the Grenfell Tower disaster, will have a significant impact on the future, operation, management and regulation of social housing. It is intended to strengthen the rights of tenants, to ensure that they can have their voices heard and have an influence in shaping services. The Bill will introduce a number of measures to give tenants greater powers, improve access to swift and fair redress, whilst also enhancing the powers of the Regulator, should housing providers fail to meet the needs of their tenants.

It is therefore imperative that as a provider of social housing, we are able to meet the new requirements that will be set out within the Bill, and importantly the expectations of our tenants.

The proposals will also directly support the priority of reducing health inequalities, by ensuring that our tenants' homes are effectively maintained, thereby reducing the likelihood of exposure to hazards which may impact on health, whilst also having the ability to carry out improvements to enhance the quality of our housing stock, to reduce issues such as fuel poverty and supporting independent living.

Changes to structure and compliance

Tenant Involvement

All social housing providers will have to ensure that all their staff - from neighbourhood housing officers to senior management - have the right skills, experience and knowledge to deliver a high-quality service for residents and are up to date with changes in legislation and policy. Empowerment for Social tenants is at the heart of the Social Housing Regulation Bill and part of the growth request is to strengthen the current Tenant Involvement Team to facilitate better engagement with our tenants and how they shape services.

New Tenancy Support and Interventions Team

To support the ambition of ensuring all tenancies are sustainable, it is proposed we establish a new team with a dedicated focus on those tenants requiring intensive support. The team will be made up of existing staff and new posts, working with both current and prospective new tenants identified as requiring assistance and support. We will undertake comprehensive assessments at time of sign up to determine help/support required, including financial, health, life skills etc. This will allow the existing Estates Team to deal with general tenancy and neighbourhood management issues, including a rolling programme of tenancy audits across the entire portfolio over a three year period.

The new team will enhance the work of our Vulnerability Officer, who, during the last 12 months has been able to access £0.047 million worth of support for new tenants, i.e. furniture, white goods, help with gas/electricity, access to food banks. The changes will also see an increase in Welfare Support Officers from 2 to 3, which will ensure tenants are receiving correct benefits and have household income maximised but also assist vulnerable tenants with other household expenditure issues, i.e. utility bills and energy cost support.

Impact - Failure to invest in service provision will expose the council to greater risk of intervention by the Regulator of Social Housing, whilst also reducing the ability as a landlord to provide the services that our tenants, not only pay for, but have the right to expect. Failure to support vulnerable residents to sustain their tenancies will result in increased costs through potential rent arrears, increased tenancy failures and higher void rent loss.

Building safety and compliance

This is a key priority that is addressed through the HRA, which is intended to keep our tenants safe and well within their own homes. The key areas of statutory compliance are as follows:

- Gas Safety
- Electrical Testing
- Water Hygiene
- Asbestos
- Fire Safety
- Lift Servicing

Some of the above compliance themes are addressed through revenue budgets and cyclical activity and some of this work is picked up through capital investment. As the report states, there is an anticipated increased focus on building safety through the Social Housing Bill, which we are gearing up to respond to, specifically around fire safety and periodic electrical testing.

Impact: Failure to meet statutory obligations will expose the council to greater risk of intervention by both the HSE and the Regulator of Social Housing, which would result in financial and reputational risk for the authority through any breaches and could have dire consequences for residents.

Decent Homes

The Major Repairs Reserve (MRR) was created to support planned investment in the housing portfolio through capital works and to ensure that the stock is maintained to the governments' Decent Homes Standard for the duration of the 30 year business plan and beyond. This fund delivers capital upgrades of key elements within council homes each year, as they are reaching the end of their projected lifecycle e.g. kitchen and bathroom replacements, central heating upgrades, electrical re-wires, doors, energy efficiency improvements, window and roofing renewals. As per the MTFP, the expected budget within the MRR is £40.685 million for the period 2023-24 to 2026-27.

As stated in the Background and Context, if we fail to repair and maintain our homes using revenue funding, this will place additional pressures on the MRR through Capital intervention to renew key building components that have gone beyond repair.

By way of example, if this budget was reduced by £0.500 million, to fund increased capitalised repairs, it would result in a reduction in homes receiving planned improvements in year. E.g. the impact on the Heating Programme would see a 30% reduction in homes receiving new heating systems, which would be approximately 116 homes deferred to a later date and likely result in increased repairs callouts until they are upgraded.

Impact: Failure to invest in homes will see an increase in Non-Decent homes and in complaints and repairs costs. In the current climate it is also highly likely that social housing providers that are reporting increased levels of non-decent homes will be subject to closer scrutiny from the Regulator.

Housing Asset Strategy

Whilst maintaining Decent Homes needs to be at the forefront, there are other challenges that the HRA will need to respond to in coming years.

The sector has seen a sharp increase in disrepair claims over the last 12 months. We have had success in defending the majority of claims submitted, but the tragic events in Rochdale, as referenced in the report, will likely lead to an increased number of complaints relating to damp and mould. This will also continue to be an increased area of focus for the Secretary of State for Department of Levelling Up Housing and Communities, and for the Regulator, underlining the need for us to ensure we are able to respond to repair requests and invest in making homes as energy efficient as possible.

Of the 8,326 homes that we own and manage, there are approximately 1,300 “Non-traditional” construction properties that present challenges in terms of energy efficiency, as they can be hard to heat. The MRR includes provision for energy efficiency upgrades and fabric improvements and although we have been successful in securing grant funding to support these programmes and continue to work with the Energy Team to secure external funding, the investment required is significant as even with grant, match funding is usually required.

By way of example, if it were necessary in year to divert £0.500 million to undertake capitalised repairs to address damp and mould issues, this would prevent us from delivering works in a more cost-effective way through planned investment and from maximising external grant. i.e. Any reduction in match funding from the MRR would jeopardise external grant and we would still be required to fully fund the fabric improvements to our homes, which would be a double pressure on the MTFP.

Impact: Failure to repair and invest in energy improvements and fabric upgrades to our homes will result in an increase in claims and complaints and is contrary to the message from the Secretary of State. If we do not allocate specific match funding for this type of activity we will potentially be unable to bid for grant opportunities as and when they arise. Moreover, residents who are vulnerable and on low incomes will face increased household energy bills, with more falling into fuel poverty, leading to adverse health outcomes due to living conditions.

Chronically Sick and Disabled Persons

Generally, we have an ageing population and a wish to support independent living, but this brings with it, additional cost implications. Within the MRR, there is a specific budget for a Chronically Sick and Disable Persons (CSDP) workstream, effectively installing aids and adaptations for those residents that are assessed as requiring support or assistance in their homes.

Rehousing is not always appropriate nor possible and therefore this budget is required to ensure that some of our most vulnerable residents can continue to live independently in their homes. Typically, this will provide level access bathroom facilities, ramps and stairlifts but we have seen an increase in the need for extensions and major building work to support OT recommendations.

Impact: Failure to address recommendations by the Occupational Health and Adult Social Care teams would see an increase in residents requiring residential care, which as well as being high cost, also reduces the ability for residents to live independently which can have an overall detrimental impact on their health and wellbeing.

Affordable Homes Programme

The delivery programme is designed, to both off-set the loss of homes and income through the Right to Buy Scheme and sustain the HRA MTFP, in part, predicated on the assumption that the current rent debit will either be maintained or increased through existing and additional rental income from new dwellings.

The programme also seeks, in partnership with other social housing providers, to address current demand and ensure new homes will meet identified need for affordable housing across the County.

The report sets out from paragraph 23 onwards, a budget of **£45.017 million** within the MTFP to support the delivery of new homes within the HRA over the next 4 years.

It is proposed that the delivery of the affordable homes programme is funded, as set out in the report, through external grant funding, use of capital receipts and by utilising existing revenue reserves. This is intended to reduce the need to take on additional borrowing, while interest rates are high and unpredictable, and the cost of which, as capital charges and interest, would need to be funded via existing or new revenue arising from the rent increase, thereby having a negative impact on other aspects of the HRA MTFP.

The report further references schemes taken forward to date using this identified budget (paragraphs 26 - 28) however in addition, a number of other potential sites are being worked up and feasibility undertaken to bring forward more affordable homes.

There are a number of potential regeneration schemes within the existing portfolio that it is envisaged will require significant investment to bring forward and we are working with Homes England and the North of Tyne Combined Authority on ensuring that any funding opportunities are maximised

With regard to any HRA funded developments, development principles have been agreed with the Housing Delivery Board, and it is expected that each scheme should meet a stringent viability test and return a positive net present value within the life of the plan. Due to increased costs of materials and labour, this is likely to prove challenging, particularly on smaller infill sites where economies of scale are difficult to achieve. To address this, we are actively looking to “bundle” schemes together and are working with Advance on the delivery of the first schemes mentioned in the report.

Impact: Failure to deliver new homes will have a detrimental impact on the business plan through lost revenue. It will also mean that housing need is not met. This is in terms of new tenants and existing tenants who are inappropriately housed. It will also mean that estates or homes that are in need of regeneration will not be addressed, with residents living in accommodation that does not meet their changing needs.