Hinckley & Bosworth
Borough Council

HOUSING REVENUE ACCOUNT INVESTMENT STRATEGY 2024 - 2028

Introduction and context

This Housing Revenue Account (HRA) Investment Strategy builds on the work set out in previous plans, updated to reflect the changes in national guidance and local priorities since the last plan was adopted. The HRA Investment Strategy sets out the aims and ambitions of the Council in relation to the council housing service and is underpinned by a 30-year business plan with an initial focus on the 2024-28 four-year investment priorities for council housing in the borough. The image opposite gives the overview of how these elements relate to each other.

The 30-year business plan gives a basis to the decisions needed to maintain a financially healthy HRA position. For the immediate term, the 2024-2028 four-year investment period defines the immediate priorities which will meet our ambitions. Overall, the council strives to manage the debt requirements entered under the self-financing settlement, whilst maintaining 100% compliance with decent homes standards and ensuring that our housing services continue to meet the needs of our tenants.

The HRA Investment Strategy

Whilst the current financial position has tight constraints on the finance available, the HRA Investment Strategy is written so that the council can meet its strategic priorities.

Strategic links

The HRA Investment Strategy support the council's Corporate Plan objectives of:

- **People:** Help people to stay healthy, happy and active and in employment, by improving the quality of existing homes and increasing the availability of affordable housing.
- **Places:** Creating clean, sustainable and attractive places to live, visit and work in by reducing the carbon emissions from our own operations.

The Corporate Plan can be found here.

Background

The Council Housing Service provides good quality, well maintained affordable housing and the service is responsible for managing and maintaining both the property and the tenancy of those residing in our homes. The composition of the housing stock is outlined in the table below:

Homes	Description
3207 Homes	HBBC have 3207 homes that are widely dispersed across the borough with particular concentrations in Hinckley, Burbage, Barwell and Earl Shilton.
354 Sheltered Homes	We provide 354 units of Sheltered Housing accommodation

Homes	Description
11 schemes	Homes providing accommodation to the over 60s or those who are over 55 with a support need

Additionally, the housing service is responsible for a number of leasehold properties, garage sites and housing land.

The Housing Revenue Account (HRA) holds the budget for the service. The Business Plan forecasts over the next 30 years the investment requirements for the service, which equates to total planned investment from 2024 to 2053 of £176 million to ensure that our stock meets the expected standards and provides suitable homes for our tenants.

There are a number of specialist teams within the Council Housing Service which include Anti-Social Behaviour and Tenancy Management, Housing Repairs and Older Persons' services.

Key Achievements

The priority in the previous HRA Investment Strategy was for new council housing development and acquisition. Since the last HRA Investment Strategy in 18/19, the council has added to its stock by 70 new homes, including the demolition and redevelopment of a sheltered housing scheme in Market Bosworth which was no longer fit for purpose. It should be noted that during the same period 141 properties were lost from the housing stock due to the Right To Buy (RTB). Whilst £3.454m of receipts were used to support replacement, this level of RTB remains a challenge. Housing delivery since the previous strategy is detailed below.

Settlement	New development	Acquisition	Total number of homes
Hinckley	11	11	22
Market Bosworth	27		27
Burbage		9	9
Earl Shilton		2	2
Barwell		2	2
Stoke Golding		4	4
Groby		1	1
Desford		1	1
Twycross		1	1
Markfield		1	1

Since 2018/19, the housing service has progressed the following capital work improvements:

- 633 upgrades to electrical installations
- 1471 boilers/heating distribution system renewals with A Rated boilers
- Renewal of windows to 329 properties
- Renewal of doors to 369 properties
- Replacement of 447 roof finishes
- 585 kitchen refurbishments
- 432 bathroom refurbishments

Council Housing stock is 100% compliant with the Decent Homes Standard, and the capital investments in this report are essential to ensure ongoing compliance with this standard. The works are completed as planned programmes, ensuring value for money by replacing components just before the end of their predicted life span. They are also completed in groups of properties requiring work of the same type and by specialist contractors. Further details regarding the approach and management to the council's housing stock and wider assets can be found in the Asset Management Strategy which can be found here.

The council has commenced works to meet its ambition to be Net Zero by 2030 and works to improve the energy efficiency of our housing stock are ongoing. We continue to maximise opportunities to access grant funding to enable us to make improvements to our stock. Since the last Investment Strategy, we were successful in securing local authority delivery funding (LAD2) to improve the energy efficiency of 34 of our council properties. Further grant funding of £1.4m via the Social Housing Decarbonisation fund (SHDF) and £330,000 of UKSPF funding has also been secured, enabling additional efficiency improvements to council stock to be made, Works for these 2 funding streams are ongoing and due to complete in March 2025.

Our Priorities

The priorities that support our corporate ambition to improve the quality of existing homes and increase the availability of affordable housing over the next 4 years include:

- Grow the council's stock to provide more homes to meet the need for affordable housing through new development and acquisitions where opportunities arise and funding permits. The four year investment plan allows for an additional 57 properties, including schemes already approved such as Peggs Close. Our aspiration is to provide further new homes over the 30-year financial investment period should finances allow.

- Capital investment over the next 4 years for major projects such as roofing, kitchens, bathrooms and heating to maintain 100% decency.

- Capital works budgets anticipate for the next 4 years the following to be completed:
    - 688 upgrades to electrical installations
    - 542 boilers/heating distribution system renewals with A Rated boilers
    - Renewal of windows to 312 properties
    - Renewal of doors to 285 properties
    - Replacement of 148 roof finishes
    - 472 kitchen refurbishments
    - 560 bathroom refurbishments

- Working towards achieving the minimum band C EPC rating by 2035 for all individual dwellings.
- Continue works to decarbonise council owned sheltered schemes, community centres and houses by 2030. Upgrades to include the removal of gas boilers and installation of green technology such as air source and Photovoltaic panels.
- Retrofit, where possible, to increase energy efficiency. A further bid for SHDF Wave 3 funding is to be made in 2024. If successful, this funding will be utilised through to 2028.
- Continue to invest in assisting older people to live independently, by maintaining elderly persons' homes and sheltered housing schemes, and delivering aids and adaptations for older people and people with disabilities.
- Service improvements, including investment in ICT and staffing capacity.
- Compliance with Social Housing Regulation.
- Maintaining a balanced HRA financial position

Housing Demand-Affordable Housing

Demand for council housing remains high and we have seen significant increases in people applying to join the housing register over recent years. To meet this continuing demand, our ambition is to add to our housing stock by pursuing development and investment opportunities.

Work is underway to identify future opportunities to add to our housing supply whilst ensuring investment in existing accommodation remains a priority. Our aspirations include:

- Acquisition of new build affordable housing on section 106 sites, either as additional units or where there is no Registered Provider interest.
- Acquisition of ex-council stock to meet high demand, low delivery property types such as 1 bedroomed flats.
- To work in partnership with other affordable housing delivery partners to deliver new developments for council housing built to the council's specification in the medium term.
- Regeneration of under performing stock which fails to meet minimum standards or does not provide the type of housing required to meet priority need.

Potential funding streams

Rental Income

The council aims to set and vary rents across its housing stock in a way that keeps rent both affordable and accessible for new and existing tenants, whilst at the same time ensuring compliance with legal and regulatory requirements. The council also needs to ensure that it has enough income to ensure that its housing services continue to be effective and meet customers' needs.

Since the last HRA Investment Strategy was implemented, there have been changes to and challenges around rental income which may impede future spending.

The latest of these was in April 2024, where rent increases have been capped at 7.7%, which will impact on the Council's capacity both to invest in its stock and meet its aspirations for growth. Relets of council housing continue to have rents set to formula rents. The projections for rental income rests on a number of assumptions to forecast the potential revenue available for projects, but the rent cap will affect finance available in years to come, as future rent increases will be set from a lower base rent.

Rent Policy recognises that registered providers should have some discretion over the rent set for individual properties, to take account of local factors and affordability. Rents set may include an upward tolerance, rent flexibility, providing clear rationale is available. Rent flexibility is limited to 5% for general needs tenants and 10% for supported housing. The council is working towards introducing rent flexibility for some of its stock over the term of this strategy.

Service Charges

In addition to rents, tenants may also be required to pay service charges. Service charges reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than being particular to the occupation of dwelling. To ensure that the HRA remains in a strong position a review of all service charges is currently underway. This will also ensure that our housing estates are well maintained

External funding streams

As well as income from rents, other funding sources may be available for investment in council housing, in the way of;

Right to buy receipts – receipts from the sale of council housing can be retained by local authorities as long as it is used for the provision of replacement social housing. The receipt can be used for up to 50% of the cost of a new home. The receipt must be spent within 5 years. There is a cap on how many acquisitions can be bought with right to buy receipts:

- The first 20 properties do not count.
- For 2022/23 up to 50% of spend can be on acquisitions
- For 2023/24 up to 40%
- For 2024/25 onwards up to 30%

Commuted sums in lieu of on-site affordable housing. The preference for delivery of affordable housing from new housing development sites is on site. However, where a site is unsuitable for affordable housing, or a Registered Provider partner cannot be identified to acquire the affordable housing, the council may seek a commuted sum in lieu of onsite provision. The conditions for use of commuted sums are set down in individual legal section 106 agreements but all restrict the use to increasing or improving the supply of affordable housing within the Borough.

Grant funding from Homes England – the Council continues to hold Investment Partner status with Homes England and as such can bid to draw down grant from programmes which support delivery of affordable housing. The main grant is to support delivery of general needs affordable homes, but other grant is available from time to time, usually for more specialist accommodation. Opportunities to obtain grant to support the council's strategic objectives will continue to be pro-actively pursued on qualifying sites.

Borrowing – the council has the option to borrow against future rental income in order to increase the supply of affordable housing. However, any borrowing opportunities need to be affordable to the Council.

Other funding opportunities- The housing service will continue to maximise opportunities to draw down grant funding from other funding streams, such as the Social Housing Decarbonisation fund to work towards decarbonisation and energy efficiency improvements.

Disposal- the sale of some smaller HRA sites may provide additional income to the HRA.

Further Investment requirements/opportunities

Acquisitions

Acquisition has previously been carried out on an ad hoc basis. Going forward, where a number of opportunities present simultaneously, a sequential approach to purchase will be as follows:

- Homes on section 106 sites where there is no RP interest.
- Purchase of new properties on market sites above the affordable housing obligation set out in the section 106 agreement ("additionality").
- Buy back of ex-council properties.
- Purchase of trickle transfer properties.
- Purchase of second hand homes on the open market.

Properties must be:

- located where there is a shortage of properties of that size and type.
- in high demand/ low turnover settlements.
- of a size that meet minimum space standards.
- for second hand properties – buyback, trickle transfer or open market – the cost of bringing the property
- into stock must be not greater than the average cost of void work on council stock.

Exceptions to the conditions above will be:

- where purchase will assist the council to achieve wider strategic aims such as regeneration of a site;
- in settlements where there is shortage of affordable housing stock and no opportunities for new development.

For the 2024-28 period there is the potential to deliver a further 45 units at a total debt need of £11.3m on top of the 57 units in the HRA Investment Strategy. However, to do this reduces interest cover and increases HRA debt considerably. As this has higher associated risk, further work is needed and a separate report will be provided to members to approve as part of a later review. If this is possible it will be from the 2026/27 financial year.

Development pipeline

The immediate priority for development funding is the demolition of 3 blocks of flats at Peggs Close, Earl Shilton. The flats will be replaced by a mixture of 1 bedroomed flats and family housing.

In addition, 19 units are being purchased on two development sites in Hinckley and Burbage

We would like to deliver more new homes over the period of the underlying 30-year business plan should finances allow. When funds become available, future priorities comprise:

- Development of a redundant garage site at Preston Drive in Newbold Verdon.
- Development of the garage site at Woodbank in Burbage.

Staffing resources

Recent benchmarking information has demonstrated that current housing management resources are lower than comparable landlords and could be increased. This would help the housing service best support its tenants and meet key performance priorities such as rent collection and arrears management.

Housing management systems

Additional investment in housing management software is required to ensure that the housing service can meet the requirements of recent legislation.

Decarbonisation and energy performance

The council declared a climate change emergency in 2019 and is working towards achieving Net Zero by 2030. Key priorities for the housing service are to decarbonise council housing assets and improve the energy efficiency of all stock. This approach will enable the council to support its tenants to reduce the likelihood of fuel poverty.

The council is working towards meeting a government target for social housing providers to attain the minimum rating of Energy Performance Certificate (EPC) C for rented properties by 2035 (2030 for 'fuel poor' households).

Over recent years, as part of the Decent Homes programme the council has carried out a range of works to directly improve the overall energy performance of all stock. EPC certificates are now held for each individual dwelling. 1138 of the council's stock is currently below EPC C. We are working to improve the energy efficiency of all housing stock and have adopted a fabric first approach which has included investment in efficient heating systems, improved thermal insulation, and the installation of more energy efficient windows and external doors. Over the next 5 years we will focus on implementing upgrades across our housing stock to ensure that we are on track to ensure that all our properties have an EPC rating of C or more by 2035.

Meeting our ambition

HRA Financial position

The 2024-2028 investment priorities have been set to reflect the current financial position over the next 4 years. The Business Plan includes the following investments over the term of the plan:-

Investments	£000
Additional Decarbonisation works	7,200
Develop Peggs Close	4,183
Affordable Housing Developments	10,124
Other HRA capital Investment	40,873
Total	62,380

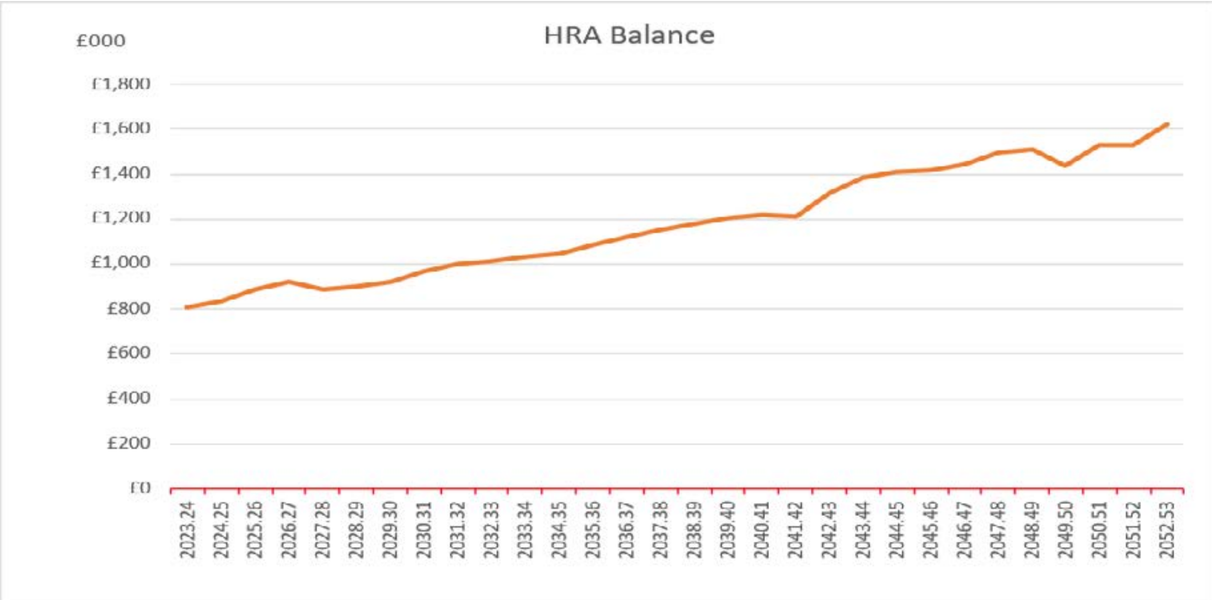
To achieve this and to continue to ensure that stock enhancements are progressed, the plan assumes that rent will continue to increase by inflation.

30 Year Business Plan Summary

The 30 Business Plan shows that the HRA continues to hold a balanced financial position, although, the future is less certain. To ensure a balanced future position, members will need to carefully consider all decisions. HRA reserves are not as high as in previous plans and so rent setting is a key risk area. Maximising rent increases will help to ensure the HRA can deliver its priorities and ensure the decent homes standard is maintained. Although the forecast in this strategy provides a balanced position, due to increasing pressures there is less capacity than hoped to fund the replacement of council homes, without taking on new debt as the existing debt is paid off. Income collected from the rental of the existing stock will be used to fund both housing management and ongoing repairs and maintenance.

Based on latest available information rent has been based on CPI plus one per cent for 25/26 and CPI for future years. Based on the forecasts in the plan balances will move from around £0.8million per annum to £1.6 million by the end of plan. This is slightly below the £2million average balance in the previous plan (2018). This is detailed in the graph below.

Graph 1 HRA balances to 2052/53



Overall Housing Revenue Account Projections

The table below gives the overall levels of income and expenditure expected based on the current 30-year Investment Plan. If new homes are provided in the future, then this will be reviewed and updated. The cost base assumes inflation falling to 2.5% by 2026/27 and is set at the governments target of 2% from 2027/28.

	2023/24 Prior year	2024/25 forecast	2025/26 forecast	2026/27 forecast	2027/28 forecast	2028-2053 forecast	Total
Income	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Gross Rental Income	£14.09	£15.13	£15.91	£16.39	£16.72	£501.55	£579.78
Other Income	£0.34	£0.29	£0.30	£0.30	£0.31	£10.12	£11.66
Total income	**£14.43**	**£15.42**	**£16.20**	**£16.69**	**£17.03**	**£511.67**	**£591.44**
Expenditure	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Management	-£4.22	-£4.20	-£4.44	-£4.55	-£4.64	-£151.58	-£173.62
Bad Debt Provision	-£0.08	-£0.08	-£0.08	-£0.08	-£0.09	-£2.55	-£2.96
Repairs	-£3.34	-£3.47	-£3.48	-£3.55	-£3.60	-£107.52	-£124.96
Total expenditure	**-£7.64**	**-£7.75**	**-£8.00**	**-£8.18**	**-£8.32**	**-£261.65**	**-£301.54**
Financing costs	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Interest paid	-£1.82	-£1.74	-£3.07	-£3.23	-£3.29	-£93.96	-£107.10
Depreciation	-£2.99	-£3.39	-£3.48	-£3.55	-£3.60	-£102.78	-£119.80
Other items	£0.16	£0.12	£0.16	£0.12	£0.08	£6.53	£7.17
Total financing costs	**-£4.65**	**-£5.01**	**-£6.39**	**-£6.66**	**-£6.80**	**-£190.21**	**-£219.72**
Net operating Expenditure	**£2.15**	**£2.66**	**£1.81**	**£1.85**	**£1.90**	**£59.80**	**£70.17**
Appropriations	-£2.16	-£2.63	-£1.76	-£1.81	-£1.94	-£59.06	-£69.36
Net income/ (expenditure)	**-£0.01**	**£0.03**	**£0.05**	**£0.03**	**-£0.04**	**£0.74**	**£0.81**
HRA Balance	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Opening Balance	£0.81	£0.81	£0.84	£0.89	£0.92	£0.89	£0.81
Generated in year	-£0.01	£0.03	£0.05	£0.03	-£0.04	£0.74	£0.81
Closing HRA Balance	**£0.81**	**£0.84**	**£0.89**	**£0.92**	**£0.89**	**£1.62**	**£1.62**

Outline Programme of Investment

The current Capital Programme for the Housing Revenue Account (the HRA Programme) covers the 2024 to 2028 four-year investment priorities and is summarised in the Table below. (year 23/24 is included for context/comparison).

Four Year Capital Programme (Includes Inflation)	2023/24 Prior year £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	Total Forecast £000
Void Works	687	802	802	802	802	3,895
Planned Maintenance	3,576	5,932	5,863	6,024	5,053	26,448
Aids and Adaptations	698	733	755	781	805	3,772
Decarbonisation	1,789	1,971	1,707	1,772	1,750	8,989
Affordable Housing	6,029	6,115	4,250	1,250	0	17,644
Other Capital Investment	40	25	26	26	27	144
HRA Capital Programme	12,819	15,578	13,403	10,655	8,437	60,892

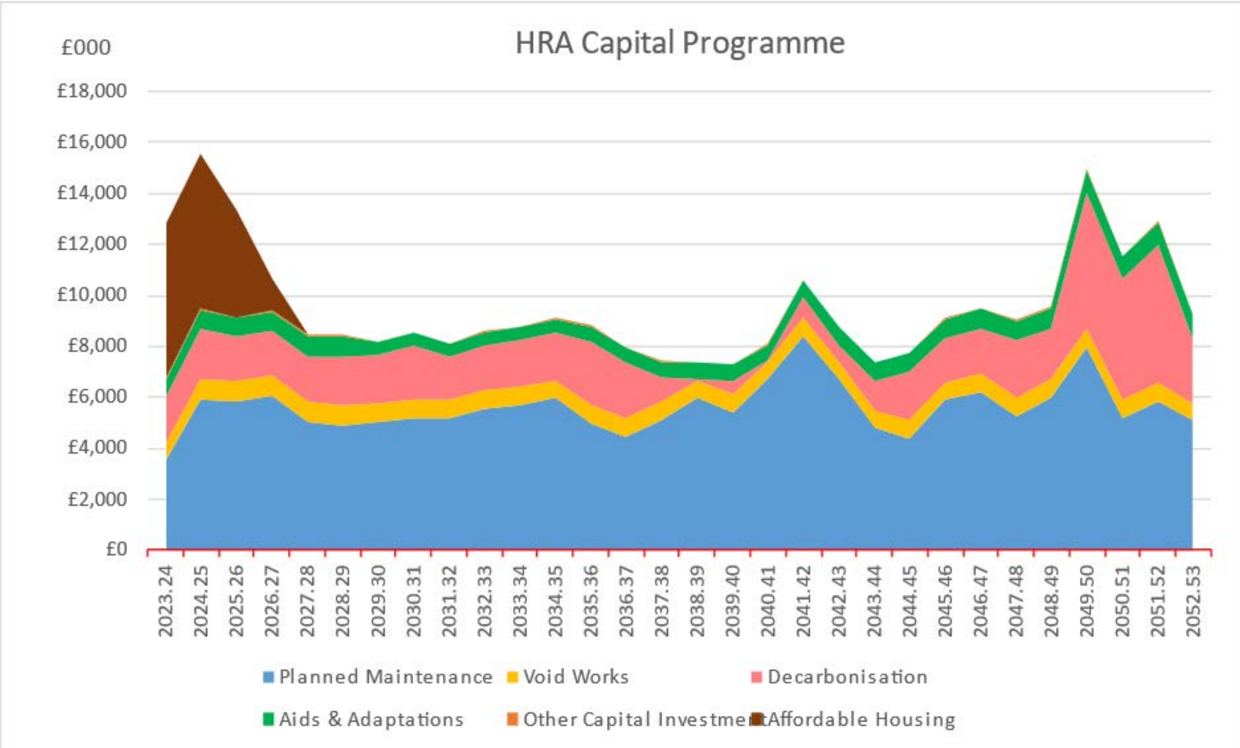
Affordable Housing delivery

The HRA Investment Strategy includes completion of affordable housing schemes already agreed and detailed in the following table.

Scheme	Amount (£000's)
Peggs Close	4,183
Development Budget	3,424
Affordable Housing (one off purchases of dwellings)	600
Total	**8,207**

Capital Expenditure Business Plan (30 Years)

The overall capital expenditure in the 30-year Investment Plan is summarised in the Graph below.



The HRA Investment Strategy underlying 30-year capital expenditure profile above seeks to balance the level of investment with the level of risk and needs to ensure there is sufficient 'resilience' built into the plan to mitigate against the financial risks. The graph illustrates there is scope for 57 units of affordable housing, including the agreed programmes, in the first four years and falls to zero in 2027/28. This element will be kept under review in light of any new funding streams or government initiatives with an ambition to deliver more homes if finances allow.

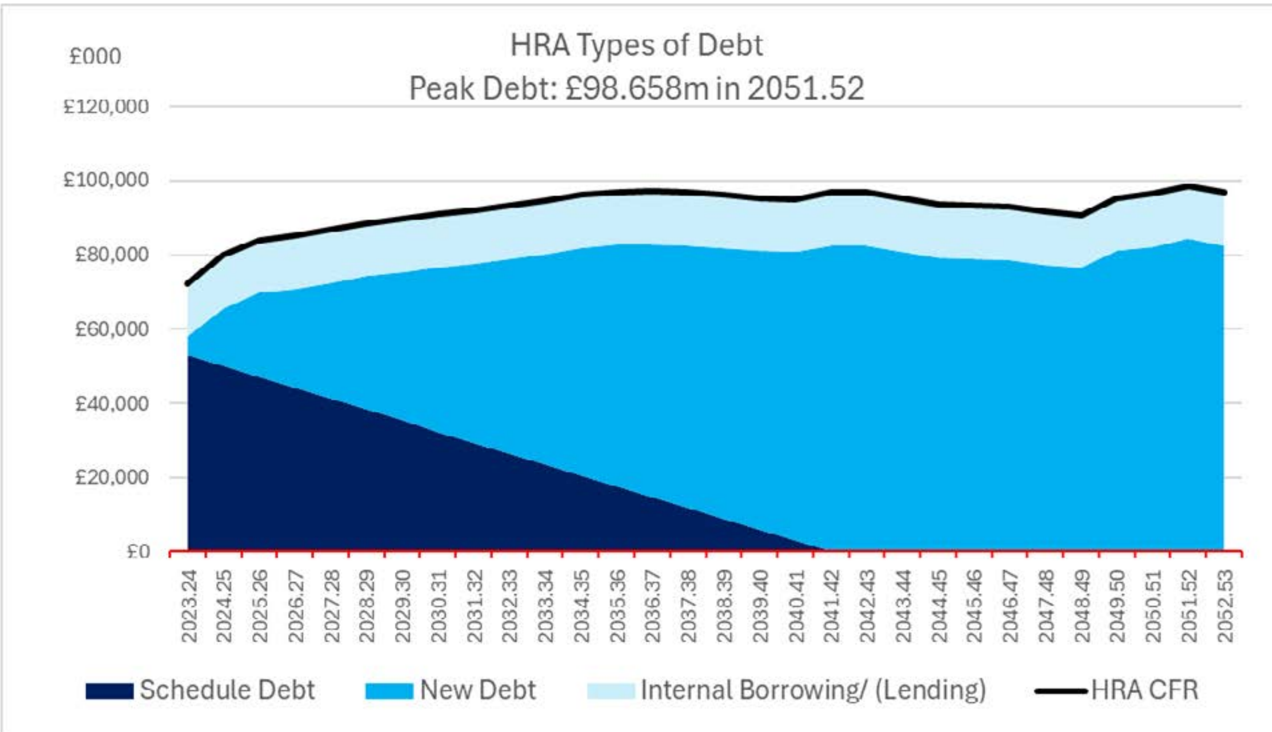
The cost of decarbonisation is a significant element of the financial pressure on the HRA over the full 30-year period. Capital spend on works to council housing stock is expected to be in excess of £9 million over the term of the plan. New technological advancements and changes to legislation are likely to affect this going forwards.

Debt

The graph below summarises the debt position for the current plan. The plan indicates borrowing will have to increase to around £97,000,000 by 2035/36. This level of borrowing will be required to ensure the investment plan can be financed, and the level of decarbonisation works required can be supported. The HRA debt cap on borrowing has been lifted. Therefore, as long as borrowing is affordable there is no cap on the level. However, future borrowing above the level indicated in the HRA 30 Business Plan will lead to additional interest costs on the HRA and opens up the council to interest rate exposure. This HRA Investment Strategy is affordable but could not withstand large increases in interest without matching income sources.

The council is also mindful of the potential for changes to legislation in future which may introduce new requirements around the maintenance of our existing housing stock. As there is always the chance of future changes, this HRA Investment Strategy will be kept under review as part of the budget setting process, and this will be considered alongside our ambition to increase overall levels of council housing to provide homes to people in the area should conditions be favourable, and debt becomes more affordable due to changes in interest rates.

The level of HRA Debt across the term of the plan is summarised below: -



Risks

There are number of risks that may impact the viability of the investement strategy, over the immediate and longer term, which are set out below.

Risks during the HRA Investment Strategy period:

- Rising costs for materials have hit the building sector hard over previous years, but now seems to be stabilised. However, should costs begin to rise steeply again it will affect both the development and stock improvement programmes.
- Skills shortages in the housing and development sector may impact on the council's ability to reach its ambitions for developing new homes.
- The Homes England Affordable Homes Grant programme comes to an end in 2026, and availability of grant after that period is not yet known.
- The council, as a social landlord, is subject to the new Social Housing Regulation regime which strengthens consumer standards to help protect tenants and drive improvements in landlord services. As this is a recently introduced requirement, the impact on resources is not yet fully quantified.
- Uncertainty over priorities set by future government post-election 2024 on the emphasis given to social housing delivery.
- Future rent policy/decisions affecting income to the HRA Business plan.

The council is mitigating these risks by:

- Engaging with Homes England and other grant programmes to maximise external funding opportunities.
- The council is geared up to meet the new consumer standards and pursuing continuing improvement in our services.
- Ensuring that housing services are resourced appropriately and have the right skills to meet the recent changes in legislation.

Risks over the 30 Year Business Plan period:

- Recent disruption in the supply chain has led to rising cost of building and shortages of material. It is unclear at present whether this situation will continue longer term.
- The grant programme administered by Homes England to support affordable housing development is only awarded for 5 year periods so it is uncertain if and in what form future programmes will take.
- Long term implications from the new regulatory regime are unable to be quantified at this early stage in the programme.
- The assumptions made in the 30 Year Business Plan are sensitive to external changes such as rent increase caps, interest rate changes, CPI assumptions and withdrawal of grant programmes.
- Future rent policy/decisions affecting income to the HRA Business plan.

The council aims to mitigate these risks by:

- Ensuring income is maximised through rents and service charges.
- Bidding for any grant opportunities that arise which can assist in delivering the priorities for the council. New opportunities may help to derisk the Strategy priorities in the future.
- Ensuring staff have the skills and knowledge to meet any challenges and opportunities to increase and improve our stock.
- Continually monitoring procedures and resources to ensure the service is robust enough to manage future requirements.

A regular process to identify and assess risks (strategic and delivery) will be developed internally and actions agreed to manage risks in order to minimise impact.