

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET

March 28th, 2023

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Powys**

**REPORT TITLE: Housing Revenue Account (HRA) Thirty Year
Financial Business Plan 2023-2024.**

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 2023-2024 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 2023-2024). Powys achieved WHQS compliance in December 2018.
- 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 17th, 2023, 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 2023-24 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 WHQS for current homes.
 - 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.
- 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 2023-2024. 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 2023-2024, is presented below. The figures for 2023-2024 will form the basis of the budgets for that particular year.
- 3.3 New Homes for Powys (Capital Programme)
- 3.3.1 There were 4718 (December 2022) 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 subsidise the continued development of new homes by the HRA.

- 3.3.2 The Council has between 2018-2019 and the end of December 2022 purchased 34 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.

Table 3.3.2: New Homes for Powys Financial Summary 2023-24 to 2027-2028

New Homes for Powys - Financial Summary 2023-2024 to 2027-2028				
<i>Financial Year</i>	<i>New Build (£)</i>	<i>Number of Homes Completed</i>	<i>Acquisitions (£)</i>	<i>Number of Homes Acquired</i>
2023-2024	£12,569,338	22	£800,000	4
2024-2025	£19,469,932	48	£2,300,000	11
2025-2026	£25,040,622	147	£2,300,000	11
2026-2027	£11,811,205	54	£2,300,000	11
2027-2028	£10,041,950	40	£2,300,000	11
Total	£78,933,046	311	£10,000,000	48
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 and numbers for Acquisitions 2023-2024 refer to a core Acquisitions Programme. If additional opportunities arise, the programme can be expanded in year by drawing upon additional scheme-by-scheme borrowing (as each acquisition is required to be self-financing) as and when necessary, by bringing forward budgets from later years (and reprofiling for that year as part of the annual HRA Business Plan process) or using any underspends elsewhere in the wider capital budget.				
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 (Capital Programme)

- 3.4.1 The Welsh Government has published proposals for WHQS-2, initially planned to start in 2023-2034 and complete by 2033-2034. To meet the current proposals for WHQS-2 will require a major increase in investment in

each home. Initial estimates suggest that meeting WHQS-2 could mean a total investment of £48,360 per home. The Welsh Government is currently reviewing the consultation responses to the WHQS-2 proposals. To date, it is not yet clear what the final standard will be.

3.4.2 Accordingly, the HRA Business Plan has, in the absence of clarity over the expectations for WHQS-2, been designed to make sure the Council's homes continue to meet the current WHQS. The programme has been structured to smooth the peaks and troughs of funding and investment needs, with the focus on those components where replacement is most needed. Lower level of new resources will be needed between 2023-2024 and 2027-2028 because the focus is now on maintaining rather than reaching the WHQS – the benefits of past investment will reduce the need for future expenditure. Some of the investment activity within the WHQS programme also contributes to the objectives of the Green Powys and Compliance One Hundred programmes (see sections 3.5 and 3.6).

Table 3.4.2: WHQS Programme Financial Summary 2022-23 to 2026-2027

WHQS Programme Financial Summary 2022-23 to 2026-2027					
<i>Investment</i>	<i>2023-2024</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>
Kitchens	£420,000	£400,000	£600,000	£800,000	£1,000,000
Bathrooms	£200,000	£200,000	£0	£400,000	£600,000
Rewiring	£120,000	£60,000	£100,000	£45,000	£250,000
Windows and Doors	£500,000	£0	£0	£0	£0
Roofing	£1,000,000	£400,000	£400,000	£400,000	£400,000
Walls	£650,000	£650,000	£650,000	£650,000	£0
Estate Works (contribute to Love Where You Live)	£1,200,000	£1,200,000	£1,200,000	£1,200,000	£1,200,000
Heating (contributes to Green Powys)	£1,400,000	£1,400,000	£1,400,000	£1,400,000	£1,400,000
Energy Efficiency (contributes to Green Powys)	£150,000	£150,000	£150,000	£150,000	£150,000
Asbestos Management (contributes to Compliance One Hundred)	£150,000	£150,000	£150,000	£150,000	£0
Management Fees	£777,700	£785,480	£793,330	£801,260	£809,270
F-Door & B-Door	£0	£0	£0	£200,000	£0
Miscellaneous WHQS	£450,000	£250,000	£250,000	£450,010	£250,010
Total WHQS	£7,017,700	£5,645,480	£5,693,330	£6,646,270	£6,059,280

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 2023-24 to 2027-2028

Compliance One Hundred Programme Financial Summary 2023-24 to 2027-2028					
<i>Investment</i>	<i>2023-2024</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>
Fire Safety Works	£200,000	£200,000	£200,000	£200,000	£50,000
Water Supply and Sewerage Works	£150,000	£100,000	£100,000	£100,000	£100,000
Legionella	£50,000	£50,000	£50,000	£50,000	£50,000
Capital Compliance One Hundred Investment Programme	£400,000	£350,000	£350,000	£350,000	£200,000
WHQS Contributions to Compliance One Hundred	£150,000	£150,000	£150,000	£150,000	£0
Revenue Compliance Repairs & Maintenance	£1,449,350	£1,388,550	£1,388,550	£1,423,550	£1,408,550
Total Compliance One Hundred Investment Programme	£1,999,350	£1,888,550	£1,888,550	£1,923,550	£1,608,550

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 The cost of ‘decarbonising’ all homes currently owned by the Council is difficult to quantify. However, a broad-brush estimate based on research undertaken by Inside Housing suggests a possible investment of £108,000,000 will be needed for Powys. That equates to £20,000 per Council-owned home.
- 3.6.3 A particular focus of the Green Powys programme will be the 400 municipal properties that have an Energy Performance Certificate rating of E, F or G, the lowest ratings. A ‘whole house’ approach, which looks at heat loss, heat retention, ventilation and the most efficient way to provide heating as and when it is necessary, is being developed for these properties. The ‘Optimised Retrofit for Powys’ initiative blends Optimised Retrofit Programme and Energy Company Obligation funds. The programme runs from quarter four of 2022-2023 to 2024-2025. At least 74 homes will be improved over the next two years, with investment in that period totalling £4,788,474.

Table 3.6.3: Green Powys Programme Financial Summary 2023-24 to 2027-2028

Green Powys Financial Summary 2023-24 to 2027-2028					
<i>Investment</i>	<i>2023-2024</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>
Damp Prevention	£250,000	£250,000	£250,000	£250,000	£250,000
Photo-voltaic (Solar Panels)	£75,000	£75,000	£75,000	£75,000	£0
Decarbonisation and Energy Efficiency	£100,000	£250,000	£250,000	£250,000	£250,000
Capital Green Powys Investment Programme	£425,000	£575,000	£575,000	£575,000	£500,000
WHQS Contributions to Green Powys	£1,550,000	£1,550,000	£1,550,000	£1,550,000	£1,550,000
Day-to-day Repairs Contribution to Green Powys	£100,000	£100,000	£100,000	£100,000	£100,000
HRA Green Powys Investment Programme	£2,075,000	£2,225,000	£2,225,000	£2,225,000	£2,150,000
Optimised Retrofit for Powys	£2,394,237	£2,394,237	£0	£0	£0
Total Green Powys Investment Programme	£4,469,237	£4,619,237	£2,225,000	£2,225,000	£2,150,000

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 2023-24 to 2027-2028

Fit for Life Programme Financial Summary 2023-24 to 2027-2028					
<i>Investment</i>	<i>2023-2024</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>
Fit for Purpose	£1,000,000	£1,000,000	£600,000	£0	£0
Adaptations - Capital	£250,000	£250,000	£250,000	£250,000	£250,000
Capital Fit for Life Investment	£1,250,000	£1,250,000	£850,000	£250,000	£250,000
Adaptations - Revenue	£590,000	£590,000	£590,000	£590,000	£590,000
Total Fit for Life Investment	£1,840,000	£1,840,000	£1,440,000	£840,000	£840,000

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 2023-24 to 2027-2028

Love Where You Live Programme Financial Summary 2022-23 to 2026-2027					
<i>Investments</i>	<i>2023-2024</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>
Brecon Area Estate Improvements	£15,000	£15,000	£15,000	£15,000	£15,000
Newtown Area Estate Improvements	£15,000	£15,000	£15,000	£15,000	£15,000
Welshpool Area Estate Improvements	£15,000	£15,000	£15,000	£15,000	£15,000
Wye Valley Estate Improvements	£15,000	£15,000	£15,000	£15,000	£15,000
Ystradgynlais Estate Improvements	£15,000	£15,000	£15,000	£15,000	£15,000
Communal Area Improvements	£50,000	£50,000	£50,000	£50,000	£50,000
Garage Strategy	£150,000	£150,000	£150,000	£150,000	£150,000
Play Area Improvements	£25,000	£25,000	£25,000	£25,000	£25,000
Adjustments back to Council budget	£600,000	£300,000	-£500,000	-£325,000	-£100,000
Love Where You Live Investment	£900,000	£600,000	-£200,000	-£25,000	£200,000

WHQS Contributions to Love Where You Live (Estate and Boundary Works)	£1,200,000	£1,200,000	£1,200,000	£1,200,000	£1,200,000
Day-to-day Repairs Contribution to Love where you Live	£100,000	£100,000	£100,000	£100,000	£100,000
Total Love Where You Live Investment	£2,200,000	£1,900,000	£1,100,000	£1,275,000	£1,500,000

3.9 Community Alarms

3.9.1 During 2023-2024, 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. This follows a review of customer needs and demands, the full range of options now available in today's digitally connect world to provide such services and in recognition of the need to replace the current equipment, much of which is of an age that it is beyond economical maintenance and repair.

Table 3.9.1: Community Alarms Programme Financial Summary 2023-24 to 2027-2028

Community Alarms Programme Financial Summary 2023-24 to 2027-2028					
Investments	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
Community Alarms	£120,000	£120,000	£0	£0	£0

3.10 Repairs and Maintenance (Revenue Programme)

3.10.1 Since July 2022, repairs and maintenance to all Council-owned homes have been delivered directly by Housing Services, supported where necessary to meet unforeseen demands for works or specialist skills by external sub-contractors. By the summer of 2023, the service, through the Full Capability Initiative, will have recruited the tradespeople and operatives needed to fully meet demand for high quality repairs. Included in this will be the appointment of apprentices to provide the skilled workers of tomorrow.

Table 3.10.1: Repairs and Maintenance Programme Financial Summary 2023-24 to 2027-2028

Repairs and Maintenance Financial Summary 2023-24 to 2027-2028					
Investments	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
Day to Day Repairs & Maintenance	£2,828,870	£2,673,870	£2,673,870	£2,593,870	£2,583,870
Voids Repairs & Maintenance	£2,888,000	£2,860,000	£2,860,000	£2,860,000	£2,860,000
Adaptations Repairs & Maintenance	£590,000	£590,000	£590,000	£590,000	£590,000

Compliance Repairs & Maintenance	£1,449,350	£1,388,550	£1,388,550	£1,423,550	£1,408,550
Vehicle Financing (Revenue)	£215,120	£215,120	£215,120	£215,120	£215,120
ICT	£112,100	£124,000	£0	£0	£0
Estate and Grounds Maintenance	£925,860	£925,860	£925,860	£925,860	£925,860
Total Repairs and Maintenance Investment	£9,009,300	£8,777,400	£8,653,400	£8,608,400	£8,583,400

3.11 Management and Supervision

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 Supervision Financial Summary 2023-24 to 2027-2028					
<i>Investment</i>	<i>2023-2024</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>
Staffing	£7,718,630	£7,950,189	£8,188,695	£8,434,355	£8,687,386
ICT	£112,100	£124,000	£124,000	£124,000	£124,000
Pop-up Powys	£23,500	£23,500	£23,500	£23,500	£23,500
Out of Hours Call Management	£12,460	£12,460	£12,460	£12,460	£12,460
Fleet and Associated Costs	£361,430	£372,273	£383,441	£394,944	£406,793
Service Support Costs ¹	£1,365,460	£1,406,424	£1,448,617	£1,492,075	£1,536,837
Premises - Depots and Offices	£375,650	£386,920	£398,527	£410,483	£422,797
Miscellaneous Support Costs	£871,830	£897,985	£924,924	£952,672	£981,252
Total	£10,841,060	£11,173,750	£11,504,164	£11,844,490	£12,195,026

3.11.2 Housing Services plans to introduce a whole service, fully integrated ICT by 2025-2026. This is to replace the current use of a number of different systems, that have been commissioned at different times in response to new needs or changes in service design. By commissioning an integrated system, which may use components from different software suppliers, the outcome will be greater efficiency in designed and organising works, more accurate record keeping and swifter responses to tenant enquiries. The Council's ICT team will in 2023-2024 develop detailed proposals for a whole-service solution as part of this project. Provision for the cost of replacing and upgrading ICT is included in the HRA Business Plan.

¹ Service Support Costs include Financial Services, Human Resources, Legal Services and Valuation Services.

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 2023-2024.

Table 4.1: HRA Business Expenditure, Income and Financing Summary 2023-2024 to 2027-2028

HRA Business Expenditure, Income and Financing Summary 2023-2024 to 2027-2028					
	<i>2023-2024</i>	<i>2024-2025</i>	<i>2025-2026</i>	<i>2026-2027</i>	<i>2027-2028</i>
Capital Expenditure					
WHQS Improvements & Maintenance	£7,017,700	£5,645,480	£5,693,330	£6,646,270	£6,059,280
Community Alarms	£120,000	£120,000	0	0	0
Compliance One Hundred	£400,000	£250,000	£250,000	£250,000	£250,000
Fit for Life	£1,250,000	£1,450,000	£250,000	£250,000	£250,000
Green Powys	£425,000	£575,000	£575,000	£500,000	£500,000
Love Where You Live	£900,000	£500,000	£500,000	£150,000	£150,000
New Build	£12,569,000	£19,473,000	£25,041,000	£11,811,000	£10,042,000
Acquisitions	£800,000	£2,300,000	£2,300,000	£2,300,000	£2,300,000
Other Capital Expenditure					
Sub Total	£23,481,700	£30,313,480	£34,609,330	£21,907,270	£19,551,280
Capital Funding					
Major Repairs Allowance	-£3,732,000	-£3,732,000	-£3,732,000	-£3,732,000	-£3,732,000
Capital Receipts	-£1,000,000	-£1,000,000			
Borrowing	-£9,822,100	-£8,607,880	-£16,609,630	-£6,804,560	-£3,998,760
Other Funding Sources (WG Social Housing Grant) Assumption 40%	-£5,027,600	-£7,485,600	-£8,120,400	-£4,575,200	-£4,016,800
Capital Expenditure funded by HRA	-£3,900,000	-£9,488,000	-£6,147,300	-£6,795,510	-£7,803,720

Sub Total	-£23,481,700	-£30,313,480	-£34,609,330	-£21,907,270	-£19,551,280
Revenue Expenditure					
Debt Servicing costs Baseline	£5,074,150	£5,546,560	£6,136,070	£7,022,590	£7,400,480
ICT	£112,100	£124,000	£0	£0	£0
Repairs & Maintenance	£2,828,870	£2,673,870	£2,673,870	£2,593,870	£2,583,870
Repairs & Maintenance Voids	£2,888,000	£2,860,000	£2,860,000	£2,860,000	£2,860,000
Repairs & Maintenance Adaptations	£590,000	£590,000	£590,000	£590,000	£590,000
Repairs & Maintenance Compliance	£1,449,350	£1,388,550	£1,388,550	£1,423,550	£1,408,550
Corporate Support Costs	£1,365,460	£1,365,460	£1,365,460	£1,365,460	£1,365,460
Legal Contribution	£56,840	£56,840	£56,840	£56,840	£56,840
Outdoor recreation	£55,000	£55,000	£55,000	£55,000	£55,000
Lease cars	£55,000	£55,000	£55,000	£55,000	£55,000
Fleet & Associated costs	£306,430	£306,430	£306,430	£306,430	£306,430
Vehicle replacement	£215,120	£215,120	£215,120	£215,120	£215,120
Other staff Costs	£88,350	£88,350	£88,350	£88,350	£88,350
Management costs	£646,810	£646,810	£646,810	£646,810	£646,810
Management Utilities	£400,480	£400,480	£400,480	£400,480	£400,480
Ground Maintenance	£925,860	£925,860	£925,860	£925,860	£925,860
Staffing	£7,718,630	£7,722,280	£7,799,500	£7,877,500	£7,956,280
Revenue Contribution to Capital	£3,900,000	£9,480,000	£6,140,000	£6,760,000	£6,760,000
Sub Total	£28,676,450	£34,500,610	£31,703,340	£33,242,860	£33,674,530
Revenue Funding					
Gross Rental Income	£29,083,050	£31,469,640	£32,402,150	£34,313,940	£36,090,730
Garages	£720,990	£742,620	£764,900	£787,850	£811,480
Service Charges	£297,440	£309,710	£309,460	£315,650	£321,960
Other Commercial Rental Income	£22,080	£22,740	£23,420	£24,130	£24,850
Voids	-£1,099,100	-£1,099,240	-£950,570	-£815,830	-£638,570

Bad Debts	-£661,060	-£715,040	-£736,020	-£779,220	-£819,470
WG Affordable Housing Grant (AHG)	£202,700	£202,700	£202,700	£202,700	£202,700
Interest on Balances	£21,450	£13,760	£5,040	£5,010	£5,010
Other Income	£458,990	£472,760	£486,940	£501,550	£516,600
Sub Total	£29,046,540	£31,419,650	£32,508,020	£34,555,780	£36,515,290
HRA Financing Welsh Government Business Plan					
Borrowing Opening Balance	£108,499,114	£117,195,514	£124,693,356	£140,153,050	£145,678,227
Loan repaid from MRP	£1,125,600	£1,364,616	£1,591,467	£2,002,058	£2,226,354
Additional Borrowing	£9,822,000	£8,862,458	£17,052,157	£7,527,235	£4,903,593
Borrowing Carried Forward	£117,195,514	£124,693,356	£140,154,045	£145,678,227	£148,355,466
Balance Carried Forward (HRA Reserve)	£4,503,406	£1,013,759	£1,005,239	£1,005,013	£1,005,195

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 2023-2024 when maximum rent increases were limited by the Welsh Government to 6.5%.
 - 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 6% (3.75% 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 2023-24 and 3% afterwards. 5.36% for CPI in 2023-24, 4% in 2024-25 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. Welsh Government will later this year begin working on a revised HRA guide detailing what the HRA can and cannot fund, provisionally scheduled for adoption in 2024-2025.
- 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. This will need to 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: There are no direct legal implications but the requirement for a plan is set out in this report. The approval of the Business Plan is an executive function which does not have to be referred to full Council.
- 5.2 The Head of Legal Services and the Monitoring Officer has commented as follows: "I note the legal comment and have nothing to add to the report".

6. Data Protection

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

7. Comment from local member(s)

- 7.1 This matter has equal effect across the Council.

8. Integrated Impact Assessment

- 8.1 An Impact Assessment has been completed in respect of this report.
- 8.2 The Impact Assessment shows that the proposals for the HRA Thirty Year Business Plan 2023-2024 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 and affordable housing grant policy and inflationary construction costs are well mitigated. 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.
- 8.3 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, 2023, 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.

9. Recommendation

- 9.1 Cabinet is recommended to:
- 91.1. Approve the Housing Revenue Account (HRA) Thirty Year Business Plan 2023-2024, as set out in the HRA Business Plan Narrative (attached to this report as Appendix A).

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