



# **Housing Revenue Account Business Plan – Key Messages**

**Housing Select Committee  
6<sup>th</sup> June 2022**



# The Housing Revenue Account (HRA)

- Statutory requirements as to the keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989.
- The provisions include a duty, under Section 76 of the Act, to budget to prevent a debit balance on the HRA and to implement and review the budget.
- The HRA is a statutory “landlord” account that must be kept separate from other local authority accounts and contains all the income from and expenditure on our housing stock
- The HRA has to be balanced at the end of each year, it cannot be in deficit.

# The HRA

The HRA is currently £305m of which:

- £95m is Operational HRA and
- £210m is capital which comes from income and borrowing

The Operational HRA is funded:

- Around 83% from rents
  - 7% from fees and charges to tenants
  - 10% from Government subsidy
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- There are 20,213 homes (including hostels) of which 13,999 are tenants and 5,894 are leasehold homes.
  - Lewisham Homes manage 18,383 homes, including hostels (12,505 are tenants, 5,167 are leaseholders, plus 236 tenanted and 155 leasehold homes are managed by TMO agreements).
  - Regenter B3 (PFI contract) manage 1,830 homes (1,258 are tenants and 572 are leaseholders)



# Income and Expenditure - revenue

Income comes from:

- Rents
- Tenant and leaseholder service charges
- Hostel charges
- Charging from major works programmes
- Grant income and interest earned

Expenditure:

- Management costs
- Repairs and maintenance
- PFI costs
- Depreciation/ Interest
- Revenue contribution to capital



# Income and expenditure - capital

## Income:

- Major Repairs Reserve Opening Balance
- Revenue contribution to Capital
- Depreciation
- GLA Grants
- RTB Receipts
- Sale Receipts
- Borrowing

## Expenditure:

- Capital programme (including Decent Homes)
- New Build construction



# The HRA Business Plan

- It is good practice to have a business plan which sets out how priorities are determined and monitored.
- A HRA business plan is assessed across a 30-year period so as to understand the long term financial implications of changes in the capital programme, legislative change and other strategic decisions.
- It needs to be regularly updated to include the impact of known forecast changes, Government policies, capital plans, funding arrangements and risk factors.
- HRA business plans also need to be reviewed to understand the impact of changes in the assumptions and capital expenditure on the affordability of the plan. This will enable any necessary mitigations to be identified at an early stage.
- The main focus is on the medium-term (five years) as there is more certainty on costs, demands, resources and pressures, which allows housing investment to be prioritised. Medium term planning is also needed in order to take account of the Council's strategic objectives and how Government policies may impact rents, disposals and regeneration.

# Why we need a HRA Business Plan

The Business Plan will enable the Council to make medium and long term plans to ensure we are able to meet our Priorities. It also ensures that we are:

- Efficiently managing our business as a landlord
- Meeting our existing statutory responsibilities and have set out how we are going to meet new responsibilities
- Setting out how we will fund our annual maintenance programmes as well as maintenance that needs to be done every five years, ten years
- Can demonstrate to Treasury that we have a plan so that we are able to borrow
- Managing our risks. The Council reviewed its Strategic Risk Register in September 2021 and identified risks relating to:
  - Failure to comply with the new consumer standards
  - Estate rationalisation
  - Increase in building costs



# Developing our Business Plan

In order to inform and facilitate the production of the Plan, meetings have been arranged to date with key stakeholders. These stakeholders include the:

- Cabinet Member for Housing.
- the Executive Directors for Housing, Regeneration and Public Realm, and Corporate Resources, and the Directors of Housing Services, Inclusive Regeneration and Financial Services.
- Lewisham Homes through meetings involving the Chief Executive, the Director of Property Services and Safety and the Director of Finance and Technology amongst others.
- Senior officers from Regenter B3
- Officers from both the Council's Regeneration and Lewisham Homes Development teams



# Existing challenges that need to be addressed..

Lewisham Homes have published an Asset Management Strategy 2021-26 which was based on the findings of a Stock Condition Survey carried out during 2019-20. The Stock Condition Survey highlighted that the stock was currently not in good condition with 47% failing the decent homes standard.



# Emerging challenges that need to be addressed

Other emerging challenges include:

- Planned lift replacement
- Meeting the Council's climate emergency ambitions to achieve EPC ratings of B or above
- Environmental improvements that will be required to comply with the new consumer standards regulation
- Lifecycle maintenance for Large Panel System blocks.



## Other risks / challenges ...

- Our priorities include bringing all our homes up to a SAP rating of A or B. However there are 851 homes that have been assessed as not being able to achieve a grade above C. We therefore need to establish what we will do with these 851 homes.
- Brockley PFI comes to an end in 2027 and the properties will be coming back to the Council.

# The Building for Lewisham programme

In January 2020 the Mayor approved the expansion of the Building for Lewisham programme to meet the corporate objectives for 2018-22 which included a target of building 1000 social homes through direct delivery and through partnerships with other RPs.

The new build programme falls into four categories:

- Schemes that are onsite / complete – these are schemes where the council has entered into contracts for delivery
- Planning – these are schemes that are at an advanced stage of design and planning where there are planning consultants appointed to take the schemes through planning and to procure a contractor
- Approved pipeline – these are schemes at an early stage of design and planning
- Unapproved pipeline – these are schemes at an early feasibility study stage. No commitment made to deliver these schemes

The HRA Business Plan will include the first three categories and these schemes need to be kept under constant review.



## Next Steps

Following discussion at Housing Select Committee, a draft HRA Business Plan will be developed. It will later be incorporated into the Council's established financial monitoring and reporting processes.

The next steps will be to:

- Develop a shared Asset Management Strategy
- Ensure strong assurance and spending controls
- Keep development programme under constant review
- Incorporate the HRA Business Plan into the Council's budgets and MTFS process from February 2023