Southend-on-Sea City Council
Housing Revenue Account
Business Plan

Foreword

[This will be requested from the portfolio holder and/or Leader to be provided in time for the draft which will go to Cabinet in January.]

1. Introduction

Under the Local Government & Housing Act 1989, Housing Authorities that own 200 or more social dwellings must keep a Housing Revenue Account (HRA). This is a ring-fenced sub-account within the Council's General Fund. It is funded from the rents and other charges paid by the Council's tenants and must be used for services relating to the Council's role as a landlord. This includes the management and maintenance of our existing housing stock and the development of new housing. Housing Authorities are not permitted to run their HRA in deficit in any financial year.

The last five years have been a time of exceptional challenge in the social housing sector. The Fire Safety Act 2021, the Building Safety Act 2022 and the Social Housing (Regulation) Act 2023, along with the updated Consumer Standards have placed many new financial burdens on Housing Authorities. The majority of these new burdens have not been met with additional Government funding. The sector has also been affected financially by the Brexit and the Financial Crisis. Therefore, pressures on Council's Housing Revenue Accounts have never been higher.

The purpose of the Housing Revenue Account Business Plan is to demonstrate how the Council plans to manage income and expenditure within our Housing Revenue Account over the next 30 years, to ensure that the account does not fall into deficit.

The business plan will:

- Set the plan in its legislative, regulatory and strategic context,
- Provide strategic direction for repairs and investment in our stock,
- Summarise the financial projections, including revenue income and expenditure, and capital expenditure and financing,
- Provide the finance to manage our existing homes,
- Set out our ambitions to create additional or new homes,
- Identify key risks and strategies for their mitigation.

The HRA Business Plan uses financial modelling to ensure the HRA is sustainable over the next 30 years. The modelling is based on a number of assumptions, which are used to estimate future income, costs and capital investments.

The outcome of the financial forecast is that the HRA is sustainable for the 30 year period and existing homes can be managed and maintained to a good standard for the duration of the plan. There is a healthy surplus in each year, enabling the Council to make revenue contributions to support the capital programme when required.

The plan provides a baseline position, showing what can be delivered with the money currently forecast to be available to the HRA over the period of the Plan. This is then subject to sensitivity analysis and stress-testing.

2. National Context / Key challenges

Over the last five years, the Grenfell disaster and the Hackett Report have driven major changes to the legislative and regulatory framework in which the Council operates as a Housing Authority. These changes form a key part of the Government's Levelling Up agenda, and include the following headlines:

- The Fire Safety Act 2021 and the Building Safety Act 2022 placed additional responsibilities on Registered Providers, requiring increased assessment and risk management and the recruitment of additional staff, with responsibilities to ensure the safety of residents.
- The Social Housing (Regulation) Act 2023 and the new Consumer Standards have required Housing Authorities and other Registered Providers to place tenants' views at the centre of our work.
- The Tenant Satisfaction Measures require providers to undertake additional consultation with residents and well as collection of management data.
- The Regulator of Social Housing has been granted increased powers to issue fines to Registered Providers where they are found wanting.
- The Housing Ombudsman has also been given greater powers to intervene if failings are found.
- Following the death of Awaab Ishak due to exposure to black mould, the Housing Ombudsman required social landlords to take a more proactive approach to treating damp and mould in their properties. These changes were made law in the Social Housing (Regulation) Act 2023.
- The current review of the Decent Homes Standard is likely to increase the property standards expected of social landlords.

All these changes place additional financial demands on Housing Authorities but the majority have not been met with additional Government funding.

This period has also seen extraordinary circumstances beyond the legal and regulatory framework, which are also placing financial pressures on the Housing Revenue Account:

- Inflation across the national economy has, in the last two years, been at a 30 year high. This impacts on the costs of repairs and maintenance, capital works and development.
- Inflation and the increased cost of living also have an adverse impact on tenants' abilities to pay their rent and therefore on the level of income going into the Housing Revenue Account.
- Significantly increased costs of energy, caused in part by the Russia-Ukraine War, have had an impact on tenants' abilities to pay their rent. While individual households have benefited from the Energy Price Cap, the bills of tenants in sheltered schemes that have communal heating are not restricted by the Energy Price Cap and so have increased by larger proportions.
- For 2023/24, the Government social rent increase was capped at 7%. This was well below the then-current level of inflation and has resulted in a loss in real terms rental income for Housing Authorities. There are no plans for this to happen again but the loss in rental income from one capped year will continue into the future as there is no mechanism for the permitted rent increases to catch rent levels up to where they would have been if the rent had not been capped in 2023/24.
- Supply chains for building materials have continued to be impacted by Brexit, resulting in the costs of repairs and maintenance works increasing beyond the value of inflation.
- The Covid-19 pandemic had an enormous impact on Housing Authorities. In addition to the changes in ways of working experienced by many industries, the 'Everyone In' scheme required Housing Authorities to accommodate all rough sleepers, placing a demand on services that continues to the present day.

The following existing national policies have also continued to reduce incomes into Housing Revenue Accounts nationally:

- The Right to Buy Scheme has continued to cause a net loss in housing stocks for Councils. Housing Authorities are permitted to use up to 40% of the receipts from Right To Buy to build or buy new housing. However, this is much less than the amount of money that would be required to replace the lost stock. The resulting net loss in housing stock reduces the amount of social housing available and leads to a loss of rental income into the HRA.
- The Benefit Cap continues to limit the incomes of affected households. This reduces their capacity to pay their rent thereby lowering collection rates and therefore income into the HRA.
- The rollout of Universal Credit to most benefits applicants has reduced the proportion of cases in which the claimant's rent is paid directly to the landlord. This increases the likelihood of tenants failing to make their full rent payment and has placed further adverse pressure on the HRA.

With all these factors in combination, the pressures on Council's Housing Revenue Accounts have never been higher.

3. Local context

The local housing market
At the 2021 census, Southend-on-Sea had a population of 180,700. This was an increase of 4.1% since the previous census in 2011. These individuals comprised 78,300 households – an increase of 4.9% since the 2011 census. In line with national trends, the population of Southend-on-Sea is expected to continue to increase. The census also showed that the biggest population increase in Southend-on-Sea is in older age groups, with a 12% increase in people aged 65 years and over.

The majority of dwellings in Southend-on-Sea are either owned outright (31.6%), or owned with a mortgage, loan, or shared ownership (30.4%).

Region	Average house price (August 2023)
Southend-on-Sea	£356,000
East of England	£353,000
England	£310,000

The average house price in August 2023 was £356,000. This is £46,000 above the national average and £3,000 above the average for the East of England region.

It is therefore very difficult for many people to purchase a home and this has a knock-on effect on the rental housing market. Southend-on-Sea has a higher proportion of properties let in the private rented sector than both England and the East of England, with 26.4% of properties being privately rented.

Local Housing Allowance (LHA) rates do not cover the cost of the lowest 30th percentile of properties in our city. This means that many privately rented properties are also difficult to afford for households that are dependent on benefits or in low-paying work. Consequently, there is a great need for social housing. However, just 11.5% of properties in the City are socially rented.

The Council currently owns 5945 rental properties. These are listed by type below:

Type	Number of properties
General needs – Social Rent	4307
General needs – Affordable Rent	129
Sheltered – Part 1 (over 50s)	469
Sheltered – Part 2 (over 60s)	999
Sheltered – Extra Care	30
Ex-warden flats in sheltered schemes	11
Total	5945

The properties are further broken down by number of bedrooms in the table below.

Number of bedrooms	Number of properties
Studio	508
1	2512
2	1263
3	1560
4	99
Over 4	3
Total	5945

The Council also owns an additional 585 leasehold properties and 124 units of temporary accommodation.

In addition to the Council's housing stock, there are 4,178 homes in the city owned by Private Registered Providers of Social Housing (Housing Associations).

Unfortunately, current levels of Social Housing in the city are not enough to meet the level of housing need. At the time of writing, there are 1273 households on the Housing Register assessed as having a housing need. This means that either they are homeless or threatened with homelessness, or their home is unsuitable for them, for example because they are overcrowded or because medical issues make it difficult for them to live in their existing home.

Management of the Council's housing

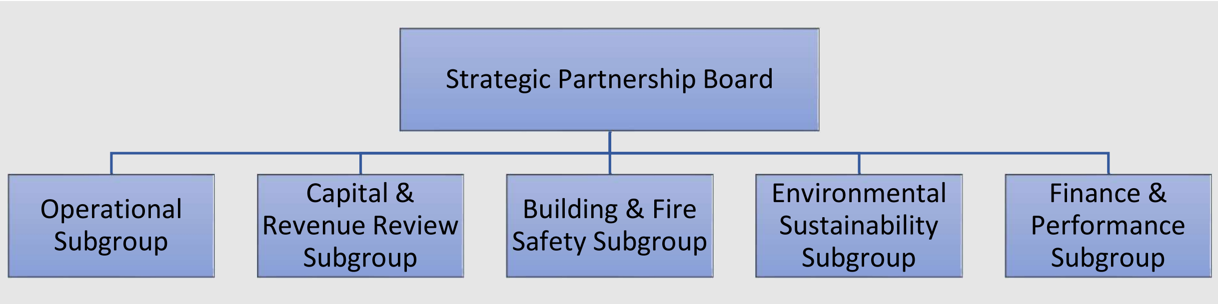
Since 2005, the Council's housing stock has been managed and maintained by our Arm's Length Management Organisation, South Essex Homes.

South Essex Homes are responsible for the following housing management functions:

- Granting new tenancies, successions, transfers and mutual exchanges,
- Advertising properties and conducting viewings,
- Asset management, responsive repairs and planned maintenance,
- Empty property management,
- Tenancy management,
- Estate management,
- Sheltered housing schemes,
- Tenant involvement,
- Management of leasehold properties and estate garages,
- Management of temporary accommodation for homeless applicants,
- Rent collection and the collection of other income such as service charges.

The SCC SEH Strategic Partnership Board oversees the work of the Partnership and manages its response to matters arising and risk. The Board meets every six weeks and includes the Council's Executive Director for Environment & Place, the Director of Regeneration, Housing and Regulatory Services, the Executive Director of Finance & Resources and the Director of Financial Services, all of South Essex Homes' Executive Management Team, and other staff from both organisations.

The Board is supported by the five subgroups named in the diagram below:



South Essex Homes' performance is monitored against Key Performance Indicators and the Tenant Satisfaction Measures. These are discussed in detail at the Finance and Performance Subgroup and reported on at every Strategic Partnership Board meeting. If KPIs are not met, the reasons are discussed and Improvement Plans are put in place when needed.

The governance of the Partnership has been audited over the last 18 months by the Council's Audit team. In November 2023, the Audit team issued their final report, recording a result of 'High assurance' and noting that there was effective management.

The Partnership is working well for residents. In the 2022 Residents' Satisfaction Survey, 75.2% of the Council's tenants said they were satisfied or very satisfied with the overall service provided by their landlord and 14.5% said they were dissatisfied or very dissatisfied. This was better than the sector average. For the same year, across the whole of England, 67% of residents said they were very satisfied or satisfied with the service provided by their landlord, while 18% were dissatisfied or very dissatisfied. This was a particularly good performance for the Partnership, since residents in the South of England generally had lower satisfaction levels than those in the North and dissatisfaction was generally higher among those with a local authority landlord.

Housing development and supply

The need for affordable housing within the borough is greater than ever and the Council's commitment to addressing this housing need for affordable housing is well documented with the Council's Southend 2050 Vision, Corporate Priorities & the Housing, Homelessness and Rough Sleeping Strategy all reflecting this.

Following the changes to the Housing Revenue Account finance system in 2012 with the abolition of the HRA subsidy, the Council was provided with more freedom on the use of surpluses generated within HRA and thus proceeded with the HRA Land Review Project which assessed the viability of 122 parcels of land for future housing development.

The Council began its affordable housing development journey with a single property built in 2015 as a pilot. A further 38 Council homes have now been built over 2 phases of the project and a pilot of Modern Methods of Construction. The Council is now progressing with plans to develop 42 new Council homes over the next 2 years including 3 Passivhaus homes as a pilot.

The Council also pursues an Acquisition Programme which purchases homes from the open market for conversion to Council Homes. So far, the Council has purchased 99 homes since 2019/20.

Budget and rent-setting

Each year, the Council pays South Essex Homes a management fee. The fee is negotiated between the two parties and is based on:

- actual property numbers in the HRA on an annual basis
- financial pressures on the HRA, including planned capital expenditure for the year.

At the same time, the Council reviews and sets all rents for our properties in line with national policy, guidance, and legislation. An annual rent-setting report is produced, which shows income and expenditure on the HRA for the proposed level of rent and demonstrates how the HRA will return a positive balance. This is presented to and approved by Cabinet and Full Council.

Energy Efficiency & reduced emissions

In 2019, the Council declared a Climate Emergency and made a number of pledges to improve Southend's impact on the environment. One of the aims of this announcement is for Council operations to achieve net zero carbon by 2030 which includes all Council owned housing stock (which accounts for 40% of the organisation's carbon footprint).

Poorly insulated homes and limited access to cheaper forms of energy leads to many households suffering fuel poverty. Fuel poverty impacts significantly on a person's quality of life and can impact particularly negatively on children's ability to learn. Families living in these types of homes may struggle to afford to heat their homes adequately, especially as energy costs continue to rise. This can lead to property issues such as damp, mould and condensation which can impact on residents' health.

Retrofit programmes can lower energy bills, create new jobs, and improve opportunities to tackle social inequalities. Increasing the city's resilience to climate change can result in lower levels of fuel poverty, increase the amount of money being spent in the local economy, and may contribute to saving costs for the NHS.

To this end, the council has embarked on a programme of retrofitting existing council homes starting with a Retrofit Show Home at Juniper Road, which has seen a range of energy saving interventions installed such as external wall insultation, loft insulation, ventilation improvements, triple glazing, air source heat pump, solar photovoltaics and an energy storage battery.

Further to this pilot, the Council has been successful in bidding to BEIS (now DESNZ) from the Social Housing Decarbonisation (SHDF) for £1.15m of match funding to retrofit 110 homes in the city. The aims of SHDF are to bring social homes up to EPC

C, deliver cost effective carbon savings, reduce fuel poverty and develop the retrofit sector and green economy. 110 homes have been selected for the project and they will all see a range of interventions installed, namely external wall insulation, loft insulation and new double glazing.

The council is also improving the energy efficiency of our new build homes with proposed new phases of the HRA Land Review surpassing the Future Homes Standard and the council developing a pilot of three highly energy efficient 'Passivhaus' homes. Also in 2022, the Council completed the development of four new Council homes. These homes were built on a disused garage site in Saxon Gardens, Shoeburyness and form part of a wider project to review the Council's underused land. Two of these council houses are classed as zero carbon because, along with the modern methods of construction, they feature energy efficient materials such as timber and innovative heating and cooling technologies such as solar panels. The homes are also designed to be fully accessible and adaptable to ensure they are inclusive for people of varying needs to enable independent living.

4. Strategic Vision and Objectives

This section identifies the Council's objectives for the Housing service, as defined in the Corporate Plan, the Housing, Homelessness and Rough-Sleeping Strategy, the Local Plan, South Essex Homes' Asset Management Plan, and other sources. The HRA Business Plan is designed to help to deliver these objectives.

Corporate Plan
The Council's Corporate Plan includes four corporate priorities, each of which is underpinned by several objectives. The below objectives are the most relevant to the Council's housing stock:

Corporate Priority	**Objective**
A city that is strong and prosperous	Support economic regeneration and business development
	Use our spending power wisely
	Bid for funding opportunities and
	Attract inward investment
	Sustain and grow digital investment and inclusion
	Deliver our city centre strategy and investment plan
	Improve community safety
A city with a good quality of life	Ensure children and young people, including those in care, feel and are safe at home, school and in their communities
	Enable people to age well, live well and care well
	Ensure services are diverse, sustainable and high quality, including for those who pay for their own care
A city rising to the climate change challenge	Become a net Zero Carbon Southend by 2030
	Prevent waste, promote re-use and increase recycling
	Enhance, promote and protect our natural environment

A city delivering genuinely affordable housing	Address local housing need
	Prioritise the supply and quality of safe, genuinely affordable homes
	Make any instance of homelessness brief and non-recurrent, aiming for functional zero homelessness
	Maximise environmental sustainability of homes
	Ensure good quality housing design, management and maintenance
	Reduce the number of empty homes
	Deliver the Local Plan

Housing, Homelessness & Rough-Sleeping Strategy

The Council's Housing, Homelessness and Rough Sleeping Strategy includes the following strategic priorities and commitments supporting them:

Strategic Priority	Commitment
Prioritise the supply of safe, locally affordable homes.	Empty Homes - Bring empty homes back into use, reviewing the tools/software, resources and opportunities at our disposal to do so. An emphasis will be placed on properties empty 2 years +
	Delivery Vehicles - Continually identify and utilise the tools and vehicles at our disposal to maximise provision of affordable housing
	Council Owned Assets – Re-align asset management plans in line with aims of this strategy
	Funding Bids/Opportunities – Take advantage of new funding opportunities / supporting partner bids that are in line with the aims of this strategy. This includes maximising capital investment capacity through utilising existing housing revenue account funds and borrowing capacity, considering the potential of the Care and Support Specialised Housing Fund (which runs until 2021) and new Homelessness 'Move on' accommodation capital/revenue grant (2018-19)
	Under-Occupation - Explore new incentives to encourage best use to be made of homes which are underoccupied/have spare bedrooms (regardless of if they are subject to the spare room subsidy/ 'bedroom tax')
Regeneration and growth to create inclusive, healthy places to live and thrive.	Community Assets - Encourage the creation of peer support groups, and community hubs including through our commissioned support services and community relations.
	Sheltered Housing Review - Implement the recommendations of the 2017 sheltered housing review.
	Employment and Skills -

	Work with partners to maximise income, employment and skills opportunities for local people i.e. apprenticeships created on new, large developments.
	Integration - Use of external government funds to set up support for Syrian refugees to move to the borough, sustain their tenancies and integrate into our local community.
	Tenancy Strategy/Policy - Develop a new tenancy strategy/policy for social housing.
Encourage good quality housing design, management and maintenance	Safety - Refine our stock management approach to take account of findings of the Hackitt Review, any new decent homes standard, and Grenfell Public Inquiry to deliver a continuous programme of maintenance and improvements.
	Stock Condition Survey - Create a pro-active and targeted response to the 2017 Stock condition survey.
	Investment in Aids, Adaptations and Emerging Technology - Investment in aids, adaptations and emerging technology (including artificial intelligence) to support people to live independently, including providing a show home to support people to understand the benefits of these to their lives
	Tenancy Sustainment Support Facilitating increased tenancy sustainment via our housing management company, South Essex Homes, the renewed floating support contract and other advice and support providers
Support people to live independently in their own homes and avoid homelessness	Rough Sleeper Initiative Implementation of our Rough Sleeper Initiative/ Government Funded program for 2018 – 2020 and identification of means to sustain the programme when funding ceases. Initiative includes new outreach provision, including a specialist dual diagnosis (mental health and drug/alcohol) worker, a new sit up service to temporarily increase emergency provision in the town and rent deposit support to access the private rented sector
	Temporary Accommodation Temporarily expand the supply of temporary accommodation, until move-on options have been secured.
	Move On Accommodation Increase the supply of move on accommodation available for people using emergency shelters and temporary accommodation (freeing up emergency bed space for newly arising homeless individuals/couples/families)
Any instance of homelessness to be brief and nonrecurrent.	Lived Experience Growing our ability to engage with people with lived experience of homelessness and rough sleeping and to recruit their insight to better inform future action plans and procedures.

Local Plan
The Southend-on-Sea City Local Plan provides a framework for the determination of all planning applications in the City, with the exception of those relating to minerals and waste. The Council is currently out to consultation on a revised Local Plan.

The draft plan states that the Council will assess different options to achieve a higher level of development from within the existing urban area of the City without detrimentally affecting the character and fabric of the urban environment. This is critical to determining what residual level of need is required to be accommodated outside the existing urban area and to provide an evenly phased development programme across the whole of the plan period.

Asset Management Plan
Each year, South Essex Homes produces an Asset Management Plan that summarises the stock condition and sets out investment requirements – see Appendix 1. Like the HRA Business Plan, it is informed by the Council's Corporate Plan and Housing, Homelessness & Rough Sleeping Strategy, as well as financial pressures on the Housing Revenue Account, via the HRA Business Plan. Life cycles for building elements, components, and installations are informed by the Decent Homes Standard or the British Standards for safety installations.

It is also informed by consultation with residents about their aspirations for their properties, to ascertain the areas in which they would like the Council as their landlord to prioritise spending. This information is gathered both through direct work with tenants and also from analysis of existing surveys, complaints and other feedback.

Business Plan Priorities
In addition to the above strategies, the HRA Business Plan will prioritise the following objectives:

- Maintaining a positive balance on the Housing Revenue.
- Ensuring the Council can meet its legal duties as a landlord and its statutory homelessness as a Housing Authority.
- Repairing and maintaining our properties to ensure they remain in a safe and decent condition.
- Maximising opportunities to deliver a range of high-quality homes across the city that meet the needs of the changing population.
- Ensuring we are managing our housing stock in accordance with our tenants' aspirations and priorities.
- Ensuring Value for Money for our tenants, based not only on costs but also how satisfied customers are with the service provided.
- Ensuring our housing stock is best meeting the Council's financial challenges.
- Priorities identified through detailed options appraisals resulting in investment, disinvestment or redevelopment where appropriate.

Regeneration, acquisitions and development plans
A key ambition of the Southend-on-Sea City Council is to maximise all opportunities to deliver a range of high quality, sustainable homes across the city that meet the needs of our changing population.

The provision of a supply of good quality council housing helps the Council to fulfil its obligations in relation to addressing housing need and preventing homelessness. New housing provision will also bring financial benefits to the Council and will have a positive impact on the city's economy, by way of increased rental income into the Housing Revenue Account and an increase in Council Tax revenue.

The Council plans to continue to deliver new council homes through the HRA Land Review project with Phases 3 & 4 proposed to deliver 38 new homes over the next two years. A pilot Passivhaus project is also proposed to deliver 3 highly sustainable homes within the same period. Further phases of HRA Land Review are in the design stage with delivery proposed over the next five years. New Council house building will be funded utilising HRA capital reserves in combination with capital receipts from RTB and Section 106 obligations from developers.

HRA funding can also be used be used to acquire homes and since 2019, the council has purchased 99 homes from the open market for conversion to council housing. These property purchases are important means of meeting the city's housing need and can be utilised to target more specific needs such as adapted homes or for resettlement purposes.

Aside from council house building and acquisitions, the Council will also continue to work with Registered Providers of Social Housing and developers to ensure a focus on the delivery of good quality affordable housing.

5. Financial Assumptions

The Housing Revenue Account Business Plan uses financial modelling to ensure the HRA is sustainable over the next 30 years to 2052/53. The modelling is based on a number of assumptions, which are used to estimate future income, costs and capital investments. These assumptions take into account the national legal and regulatory objectives in section 3 of this document, as well as the Council's strategies and policies, discussed in section 4.

This section describes some of the key assumptions.

Inflation
The Consumer Price Index increased by 6.7% during the twelve months ending September 2023. The government forecasts that the rate of increase in CPI will fall to below 2% between 2024/25 and 2027/28. Therefore, the business plan assumes that the CPI will increase by 2% a year thereafter.

Rental income
Rents are the main source of income into the HRA and are what funds management and maintenance. The Council's Rent setting policy is reviewed on an annual basis to inform the rolling 30-year Business Plan. A balance must be struck between affordability and our duty to ensure we have enough funds to maintain our homes.

For properties on a Social Rent, the Government's stated policy is to allow Registered Providers to increase rents by up to CPI+1 %. We are anticipating a 7.7% uplift for 2024/25. In the current financial year, rent increases were capped at 7%. However, this was an exceptional response to high inflation. Next year the maximum permitted rent increase will return to CPI+1% and it is expected that this will continue. The maximum permitted increase has been adopted in each year so far and the model assumes that this will continue.

Rent in the Council's hostels has also traditionally increased by the prevailing September CPI rate +1%, being consistent with the rent increase for our Secure tenancies.

The rents for the Council's 12 shared ownership properties have also traditionally been set on the same basis as a full Council dwelling, on a pro-rata basis, proportionate to the Council's ownership.

All new HRA properties (new builds and newly acquired properties) will be let at Affordable Rent. The Council's Affordable Rent levels are set at the Local Housing Allowance (LHA) rates, which vary by the number of bedrooms in the property. This is lower than the maximum affordable rent rate permitted by Government, which is 80% of the market value.

Standard garages are charged at a weekly rate for tenants and non-tenants are charged the same amount plus VAT. As with residential lets, these are reviewed on an annual basis. It is anticipated that these charges will continue to be aligned to the standard approach taken across the council's fees and charges for future years. All variants on a standard garage will receive a proportionate increase.

Empty properties
When a property is vacant no rent is being paid to the HRA. If the property is empty for a long period of time, this can have a significant impact on rental income.

The model forecasts voids at 3%. The number of void properties is significantly increased by voids in the town centre tower blocks, which are empty due to the delayed redevelopment of the Queensway Estate.

Bad Debt
Where rent arrears occur, the expectation is that the majority of this money will be recouped. However, not all the debt will be recovered. A provision has been made within the model for 'bad debt' – rental income that is written off as the chances of the tenants paying are very low. This has been forecast at 1.4% each year.

Stock levels
Fluctuating stock levels have an impact on the amount of rent that is received over the 30-year plan period.

A significant proportion of the capital receipt from a Right to Buy sale currently goes to Treasury and RTB sales can undermine the long-term financial viability of the HRA. It is estimated that there will be about 17 RTB sales in 2023/24. Council owned stock in Southend-on-Sea is considered attractive to purchase and the Business Plan will include an estimate of 17 RTB sales per year for 2024/25 onwards.

However, the Council is working to bring new homes into the HRA. New build council homes and acquisitions are assumed to increase stock numbers by 23 in 2023/24 and 42 in 2024/25 in accordance with the approved capital programme. In future years it is assumed that there will be six acquisitions each year, fourteen new builds each year from 2028/29 to 2030/31 and sixteen new builds each year from 2031/32 to 2033/34.

Operating Costs
Repairs and maintenance costs are based on the 2023/24 budget with an uplift of £151,000 in 2024/25 and variations to reflect increased stock numbers and inflation. It is assumed that repairs and maintenance costs will increase each year by 1% more than the increase in the Consumer Price Index.

The Management Fee paid to South Essex Homes is based on the 2023/24 budget. The fee is forecast to increase each year to reflect inflation at CPI+1%.

Capital Investment
HRA capital investment includes spending on planned maintenance, which is based on requirements identified in the Asset Management Plan (see Section 4 and Appendix 1). This includes major works like new roofs, kitchen and bathroom replacement programmes and other improvements such as fire safety remediation works.

Investment in the existing stock and is funded from the major repairs reserve where this is affordable and from revenue contributions in years where this is not.

Capital investment also includes the development of new Homes and the acquisition of existing properties to the HRA. Investment in new build and acquisitions is funded from third party payments, grants and capital receipts when these are available and from revenue contributions when required.

It is assumed that the HRA will continue to be able to borrow internally and that this will increase from £25million to £34million and will continue to be at lower interest rates than those available externally. In addition, a proportion of Right to Buy receipts can be used to finance the replacement of the stock lost through the Right to Buy.

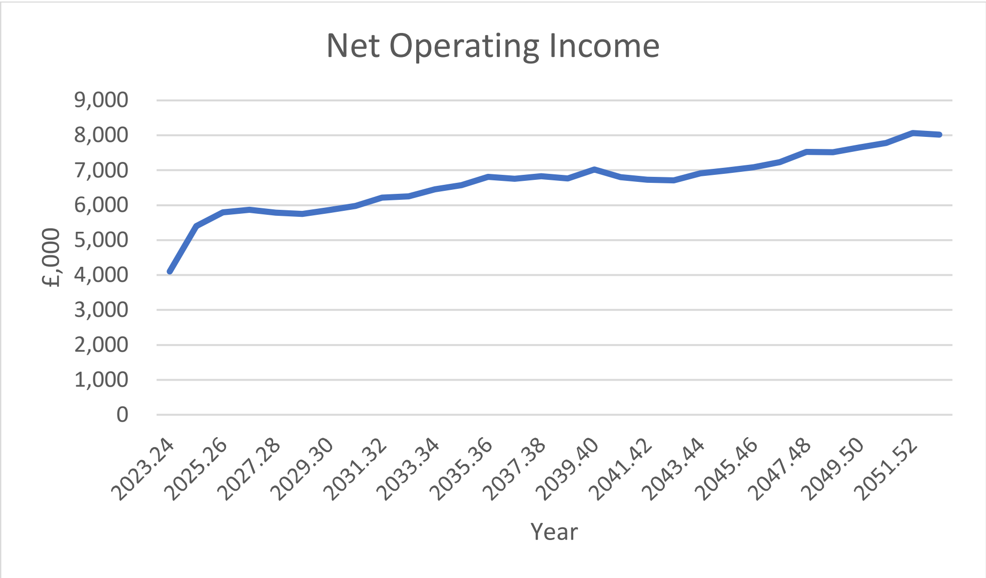
Housing Authorities are also permitted to borrow externally to finance their capital programmes, providing that it is affordable and complies with the Prudential Code for

Capital Finance in Local Authorities. However, the Business Plan does not plan to borrow externally, in order to safeguard the sustainability of the HRA in the longer term.

Queensway
The proposed regeneration of the Queensway Estate has suffered delays due to Swan Housing being taken over by Sanctuary Housing. The HRA Business Plan is working on the assumption that the proposed new development will be broadly revenue neutral at this stage, on the basis that lost rental income will be largely offset by a reduced need for management and maintenance liabilities. An allowance has been made for a net loss in future years due to an expected loss of HRA stock. Further work will be undertaken to understand the exact implications when the redevelopment proposal is finalised and phased, including how any decant process will work.

6. Current financial position of HRA

The outcome of the financial forecast is that the HRA is sustainable for the 30-year period. Existing homes can be managed and maintained to a good standard for the duration of the plan. Furthermore, there is a healthy surplus in each year, enabling the Council to make revenue contributions to support the capital programme when required. Movements in the net operating income of the HRA are shown in the graph below:

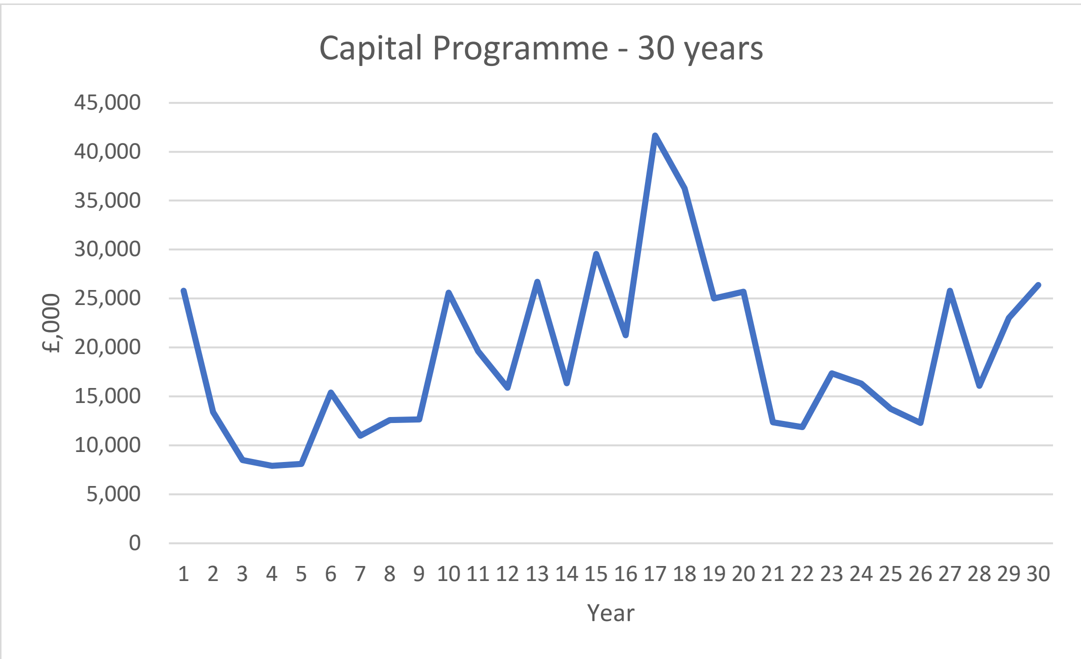


Housing Revenue Account balances are maintained at £3million in each year, with appropriations being made to and from earmarked reserves to maintain general balances at this level. Movements in earmarked reserves are forecast as follows. They increase from £27.7million at 1st April 2023 to £55.3million at 31st March 2038:

Year £,000	2023.24 1	2024.25 2	2025.26 3	2026.27 4	2027.28 5
Opening Balance	-27,747	-24,470	-27,184	-32,926	-38,791
Appropriations	3,277	-2,714	-5,743	-5,865	-5,786
Closing Balance	-24,470	-27,184	-32,926	-38,791	-44,577
Year £,000	**2028.29 6**	**2029.30 7**	**2030.31 8**	**2031.32 9**	**2032.33 10**
Opening Balance	-44,577	-47,043	-49,616	-52,314	-54,916
Appropriations	-2,466	-2,573	-2,698	-2,602	-2,639
Closing Balance	-47,043	-49,616	-52,314	-54,916	-57,555
Year £,000	**2033.34 11**	**2034.35 12**	**2035.36 13**	**2036.37 14**	**2037.38 15**
Opening Balance	-57,555	-60,388	-66,961	-60,132	-64,052
Appropriations	-2,834	-6,572	6,829	-3,920	8,757
Closing Balance	-60,388	-66,961	-60,132	-64,052	-55,294

Capital Programme

The level of investment in the capital programme over the thirty years of the plan is shown in the graph below:



As described by section 4, the Decent Homes Standard informs South Essex Homes' Asset Management Plan, which dictates capital investment in our existing stock. Using this approach does present "peaks and troughs" in potential expenditure. Following peaks of Decent Homes investment in the early 2010s, this causes new peaks in the 2030s and 2040s as the life cycles of the original installations expire. During the course of the Business Plan, it is likely that we will consider strategies to smooth out these peaks. This can be done for example, by adopting a just in time principle.

7. Sensitivity Analysis / Stress Testing

The assumptions used in this Business Plan are based on what is considered to be the most likely environment in which the service will operate, including assumptions about government policy, economic variables, social circumstances and technological developments.

However, factors such as the Government's rent policy and changes in repairs costs are beyond the Council's control and can have a major impact on the viability of the HRA over the 30 year period. Therefore, the business plan financial model has been used to carry out some sensitivity analysis, considering what might happen if variables in the revenue budget and capital programme change.

In the base model the surplus / deficit and reserves are as follows:

Year **£,000**	**2023.24** **1**	**2024.25** **2**	**2025.26** **3**	**2026.27** **4**	**2027.28** **5**
Net Operating Income	-4,107	-5,399	-5,799	-5,865	-5,786
Revenue Contributions	7,384	3,187	56	0	0
Appropriations to / from earmarked reserves	-3,277	2,714	5,743	5,865	5,786
Total Surplus / Deficit	0	502	0	0	0
Opening Balance	-3,502	-3,502	-3,000	-3,000	-3,000
Closing Balance	-3,502	-3,000	-3,000	-3,000	-3,000

If rents are assumed to increase at the same rate as inflation rather than by 1% more, the forecast surplus / deficit and reserves would be as follows:

Year **£,000**	**2023.24** **1**	**2024.25** **2**	**2025.26** **3**	**2026.27** **4**	**2027.28** **5**
Net Operating Income	-4,107	-5,105	-5,182	-4,922	-4,503
Revenue Contributions	7,384	3,187	56	0	0
Appropriations to / from earmarked reserves	-3,277	2,420	5,126	4,922	4,503
Total Surplus / Deficit	0	502	0	0	0
Opening Balance	-3,502	-3,502	-3,000	-3,000	-3,000
Closing Balance	-3,502	-3,000	-3,000	-3,000	-3,000

Net operating income is reduced causing a reduction in appropriations to earmarked reserves.

If cost inflation is assumed to be 2% higher than the general level of inflation (rather than 1%), the forecast surplus / deficit and reserves would be as follows.

Year £,000	2023.24 1	2024.25 2	2025.26 3	2026.27 4	2027.28 5
Net Operating Income	-4,107	-5,222	-5,437	-5,309	-5,020
Revenue Contributions	7,384	3,187	56	0	0
Appropriations to / from earmarked reserves	-3,277	2,537	5,381	5,309	5,020
Total Surplus / Deficit	0	502	0	0	0
Opening Balance	-3,502	-3,502	-3,000	-3,000	-3,000
Closing Balance	-3,502	-3,000	-3,000	-3,000	-3,000

Net operating income is reduced, causing a reduction in appropriations to earmarked reserves:

If the Council were to face a 'perfect storm' of rent increases limited to inflation and costs of management and repairs & maintenance increasing by 2% more than general inflation, the forecast surplus / deficit and reserves would be as follows.:

Year £,000	2023.24 1	2024.25 2	2025.26 3	2026.27 4	2027.28 5
Net Operating Income	-4,107	-4,928	-4,821	-4,366	-3,737
Revenue Contributions	7,384	3,187	56	0	0
Appropriations to / from earmarked reserves	-3,277	2,243	4,765	4,366	3,737
Total Surplus / Deficit	0	502	0	0	0
Opening Balance	-3,502	-3,502	-3,000	-3,000	-3,000
Closing Balance	-3,502	-3,000	-3,000	-3,000	-3,000

There is a negative effect, with reduced net operating income and reduced appropriations to earmarked reserves.

While in each case the effect is negative, it is hoped that this sensitivity analysis illustrates the robustness of the business plan financial model to risk.

8. Performance Monitoring

The HRA business plan is a dynamic, working document and will be regularly reviewed and updated. It will be monitored against the Council's strategic housing priorities using existing performance monitoring systems within the Council and also within the governance of the Council's partnership with South Essex Homes.

The financial performance of the Partnership with South Essex Homes is discussed regularly at the SCC SEH Strategic Partnership Board and on a monthly basis at the Finance & Performance Monitoring subgroup. The costs and effectiveness of capital works and revenue expenditure is also monitored on a monthly basis, at the Capital & Revenue Review Subgroup.