

# Cheltenham Borough Council

## Cabinet – 14<sup>th</sup> February 2023

### Housing Revenue Account (HRA) Business Plan 2023-2028

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**Accountable member:**

Cabinet Member for Housing, Councillor Victoria Atherstone

**Accountable officer:**

Housing Strategy and Partnerships Manager, Martin Stacy

**Accountable scrutiny committee:**

n/a

**Ward(s) affected:**

All

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**Key/Significant Decision:**

No

**Executive summary:**

Our proposed Housing Revenue Account (HRA) Business Plan sets out our key priorities over the next 5 years. It is informed by a 30-year financial model, which is maintained and updated regularly in order to ensure the HRA remains financially viable over the long term.

This HRA Business Plan has been developed in partnership with Cheltenham Borough Homes (CBH) and in consultation with our tenants and a wide range of stakeholders. It has also been shaped by the Council's Corporate Plan (2023-27), and set in the context of significant regulatory change (following on from the government's Social Housing White Paper) and economic challenges arising from the Covid-19 pandemic, the war in Ukraine and subsequent cost of living crisis.

Our HRA Business Plan sets out how we will support our tenants, and their families, to live in well maintained and sustainable homes, which will be safe, secure, and of a high quality. It also sets out how we will increase the provision of affordable homes by delivering an additional 450 affordable homes over the next 5 years, in line with our Corporate Plan.

Developing stronger, more resilient communities will continue to remain at the heart of what we do. We

will work with tenants and partners to reduce social isolation, provide cost of living support, and improve life opportunities for our tenants. We will also ensure that existing communities benefit from the economic opportunities generated by the Golden Valley development.

A key priority within our Corporate Plan is for Cheltenham to be carbon net zero by 2030. The HRA Business Plan will support this by:

- Delivering carbon net zero new homes on Council (CBC) owned land-led sites;
- Investing in the retrofit of existing homes so that all our CBC-owned homes have an EPC C rating or higher by 2030 (currently over 800 CBC-owned homes have an EPC rating of D or lower);
- Supporting our communities to become more environmentally conscious by reducing waste and increasing recycling;
- Reducing CBH carbon emissions so that CBH is carbon net zero by 2030.

In order to deliver against our priorities, CBH will continue to drive value for money throughout its business. In particular, CBH has targets to deliver high performance and satisfaction levels, whilst maintaining costs at median cost per property levels, or better, against a range of Key Performance Indicators and Tenant Satisfaction Measures, as benchmarked against similar housing organisations across the country. These performance indicators are set out in Appendix 2a of this report.

Further synergies and efficiencies will also continue to be explored as part of CBC and CBH's Stronger Partnership Programme, details of which are captured within our HRA Business Plan.

Subject to Council's approval of our HRA Business Plan, CBC will ensure that further approvals are obtained, as required, to support the delivery of key projects and initiatives arising from this plan.

## **Recommendations**

### **That Cabinet:**

**Approves the strategy as set out in the HRA Business Plan 2023-28, and as detailed in Appendix 2 of this report**

## 1. Implications

### 1.1 Financial implications

The Housing Revenue Account (HRA) is a ring-fenced account within the Council's General Fund, which is used for all transactions relating to Cheltenham's council homes. In almost all instances, with the exception of regeneration, income generated from these council homes has to be kept in the HRA and used for the purpose of maintaining and investing in existing homes, building new homes and delivering services to tenants and leaseholders.

The aims and priorities over the next five years, as set out in this HRA Business Plan, are modelled over a 30-year term to understand the financial impact of the investment aspirations within this plan, and to ensure that the HRA remains financially viable. The assumptions within the model are updated annually as part of the budget setting process. This financial model is also used to stress test the HRA to understand the key financial risks, which need to be managed both in the medium and in the long term to ensure the HRA remains viable. For more detailed information, please refer to Section 4.1 of this report, and to the Finances section within the HRA Business Plan at Appendix 2.

#### **Signed off by:**

Paul Jones, Executive Director Finance, Assets and Regeneration; 01242 264365;  
[paul.jones@cheltenham.gov.uk](mailto:paul.jones@cheltenham.gov.uk)

### 1.2 Legal implications

There are no legal implications arising as a direct result of this report. There will be legal implications resulting from the actions required to deliver the business plan and further approvals will also be required. Legal advice should be sought at an early stage.

**Signed off by** One Legal; [legalservices@onelegal.org.uk](mailto:legalservices@onelegal.org.uk)

### 1.3 HR implications

There are no HR implications as a direct result of this report

### 1.4 Environmental and climate change implications

The HRA Business Plan is key in supporting CBC's ambition to reduce Cheltenham's carbon emissions to net zero by 2030. This ambition runs throughout the aims, and the period, of this Business Plan.

A Climate Impact Assessment has been completed detailing the impact the delivery of the plan will have on emissions. Please see Appendix 3 of this report. In addition, any specific projects and initiatives that are developed as a result of HRA Business Plan will, where applicable, be evaluated using our Climate Impact Assessment toolkit.

**Signed off by:** Laura Tapping, Climate Emergency Programmed Officer; 01242 264263;  
[laura.tapping@cheltenham.gov.uk](mailto:laura.tapping@cheltenham.gov.uk)

### 1.5 Property/asset implications

As set out in this report and in the HRA Business Plan. Separate approvals will be sought, as required, for any specific initiatives/proposals that impact on our assets.

**Signed off by:** Gemma Bell, Director of Finance and Assets (Deputy s151 Officer), 01242 264124; [gemma.bell@cheltenham.gov.uk](mailto:gemma.bell@cheltenham.gov.uk)

## 1.6 Corporate policy framework implications

The HRA Business Plan will support a number of key priorities within our Corporate Plan. This includes:

- Delivering 450 new affordable homes as part of our £180m housing investment plan;
- Delivering net carbon zero homes on development schemes that are within our control;
- Retrofitting our existing CBC housing so that all our homes have a EPC rating of C or above;
- Alignment to our Golden Valley Development and embedding social value into new and existing communities;
- Creating stronger, more resilient communities, and in particular supporting communities through the cost of living crisis; and
- Improving efficiencies and creating opportunities for income generation.

A fuller breakdown of the HRA Business Plan's alignment with our Corporate Plan is set out in Appendix 2 b 'Shaping the Plan'.

**Signed off by:** Ann Wolstencroft, Head of Performance, Projects & Risk 01242 264158  
[ann.wolstencroft@cheltenham.gov.uk](mailto:ann.wolstencroft@cheltenham.gov.uk)

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## 2. Promoting equality and reducing discrimination

Projects and initiatives taken forward from the HRA Business Plan will be subject to equality impact assessments (where applicable) to ensure decision makers fully understand the impact of any decisions made. A high level impact assessment is provided at Appendix 4, which concludes that the Business Plan will not discriminate, either directly or indirectly.

## 3. Performance management – monitoring and review

Key activities identified within this Business Plan will be captured within our Housing, Homelessness and Rough Sleeping Strategy Action Plan, which is scheduled to be approved by Cabinet in July 2023. This Action Plan will be updated annually. Progress against our HRA Business Plan, both in terms of meeting targets and key activities, will be reported to Cabinet and to Council annually via the HRA budget setting process.

In addition, there will be regular strategic and operational meetings throughout the year between CBC and CBH to oversee progress and to ensure our priorities are delivered.

Within CBH, performance will be monitored via its Board, and where relevant and appropriate, both its Audit & Risk Committee and Tenant Scrutiny and Improvement Panel.

More details of the monitoring and review arrangements are provided in the HRA Business Plan at Appendix 2.

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## **4. Background**

**4.1.** The HRA Business Plan sets out our strategic plans for CBC's housing stock over the next 5 years. It is informed by a 30 year financial model, and this is maintained and updated regularly in order to ensure the HRA remains financially viable over the long term.

- 4.1.1 The current cost-of-living crisis and financial turbulence has had a major impact on the HRA. Excess cost inflation, increased interest payable, energy costs and additional compliance expenditure will increase overall expenditure in the HRA by £2.5m in 2023-24. Whilst rental income will also be increasing, it has been capped at 7% for 2023/24 resulting in an effective breakeven position in Year 1 of the plan and then projected operating surpluses, which are reinvested back into the HRA in future years, based on the development of new homes during the plan period.
- 4.1.2 The long-term impact of this high inflation and capped rent is substantial on the 30-year outlook with capacity in the HRA reducing by an estimated £92m.
- 4.1.3 This reduced capacity in the HRA means that the scale and pace of investment in existing and new homes needs to be carefully managed over the plan period to ensure that vital services to customers and communities are protected.
- 4.1.4 Whilst the scale and pace of investment needs to be managed appropriately, the HRA Business Plan demonstrates the Council's commitment to our ambitious plans for delivering new homes, improving the quality of existing homes and protecting services for our customers and communities for the benefit of Cheltenham through this challenging period.

**4.2.** This HRA Business Plan will play a significant role in supporting CBC's priorities as set out in our Corporate Plan. It has also been shaped by significant customer and stakeholder engagement, as outlined in section 9 of this report (below), and as detailed in Appendix 2 b 'Shaping the Plan'. In addition, this Business Plan has been set in the context of a significantly changing regulatory environment, following the publication of the government's social housing white paper. Nationally, these new regulatory changes will both strengthen building safety and improve standards for tenants, whilst also increasing transparency and providing clearer accountability.

**4.3.** Given that our ambitions for Cheltenham are against a backdrop of significant regulatory reform and financial challenges, our HRA Business Plan will need to work even harder to find more efficiencies whilst maintaining high levels of performance and satisfaction. To do this, CBC and CBH will continue to embed and strengthen our partnership to find even more effective ways of working together. This could be through, for example, the delivery of shared community priorities, improving our procurement processes, and by exploring other synergies such as ICT provision, as set out in our HRA Business Plan.

**4.4.** In addition, CBH will continue to drive other efficiencies by:

- Embracing technology to enhance further our customer focussed services by making them more efficient and accessible; and
- Identifying funding and income generation opportunities by exploring new business services.

## **5. Private Rented Accommodation (non-HRA, income-generating activities)**

**5.1.** In October 2018, Council gave approval for CBC to enter into a loan facility agreement with CBH to enable the delivery of both affordable and private rented accommodation within the Borough. This

was an important decision as it enabled CBH to expand into the private rented sector, via the use of this loan facility with CBC. Our ambition to expand into this sector is based on the recognition that CBH is well placed to provide, and manage, quality homes in the private rented market on a long-term letting basis. (Typically, homes in the private rented sector are let on a short term basis, meaning that many households lack security of tenure and are therefore unable to feel settled in their communities.)

- 5.2. In December 2020, CBH were successful in securing its first private rented venture: a block of flats; refurbished and reconfigured to provide a total of 13 one and two bedroom homes. Going forward, we will continue to explore the delivery of more PRS homes, via individual and/or bulk property acquisitions, as well as through direct delivery on future mixed tenure developments developed on CBC-owned land.
- 5.3. This income generating initiative has the potential to benefit the HRA in that any surpluses could be used to reduce CBH's Management Fee.
- 5.4. Appendix 2c sets out our strategic position in more detail, and commits to reviewing current financial assumptions, with a view to increasing our PRS delivery further.

## **6. Reasons for recommendations**

- 6.1. Our HRA Business Plan must remain relevant, taking account of current challenges and opportunities that have arisen both locally and nationally, whilst ensuring alignment with CBC's Corporate Plan 2023-27.

## **7. Alternative options considered**

- 7.1. Without this HRA Business Plan, CBH will be operating without an up to date framework of priorities and objectives. It is, therefore, an important document that sets out our strategic direction and prioritisation of our resources.

## **8. Consultation and feedback**

- 8.1. A comprehensive consultation exercise with key stakeholder involvement has been run by CBH to help inform the strategic aims and objectives of the HRA Business Plan.

These include:

- Customer focus groups;
  - Engagement with a wide range of local partners, such as GARAS (Gloucestershire Action for Refugees and Asylum Seekers), Family Space / Feed Cheltenham, Young Gloucestershire and The Cheltenham Trust;
  - Ward Councillor and Cabinet members, CBH Board and key officers within CBH;
  - Collation of 2 years of tenant 'insight' data, from which 2,000 tenants were asked, 'What can CBH do to improve?' These insights from tenants have been used to inform CBH's core business activities on an ongoing basis, and have also been instrumental in helping to provide insight into some of the priorities within this HRA Business Plan.
- 8.2. Key messages include: building more homes; strengthening the repairs and maintenance service; further improving the quality of our homes; supporting the delivery of carbon net zero; enhancing our

community engagement mechanisms; and increasing digital access to services, all of which have been built into our updated HRA Business Plan.

**8.3.** For more details of the Consultation, and feedback, please see Appendix 2 b of this report entitled, 'Shaping the Plan.'

## **9. Key risks**

**9.1.** Please see Appendix 1 of this report.

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### **Report author:**

Martin Stacy, Housing Strategy and Partnerships Manager, [martin.stacy@cheltenham.gov.uk](mailto:martin.stacy@cheltenham.gov.uk)

Stafford Cruse, Head of Finance and IT, [stafford.cruse@cbh.org](mailto:stafford.cruse@cbh.org)

### **Appendices:**

1. Risk Register
2. HRA Business Plan 2023-2028
  - a. KPIs by VFM theme
  - b. Shaping the Plan
  - c. PRS approach
  - d. Glossary
3. Climate Change Impact Assessment
4. Equality Impact Assessment

### **Background information:**

n/a

## Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score  (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
CBH 15	If the HRA business plan becomes financially unviable, then the scope and level of services delivered will require reviewing, the ability to provide new build properties will be restricted and scope and timing of the capital programme will need to be reviewed.	Martin Stacy	5	3	15	Reduce	<p>Performance reporting</p> <p>Robust financial viability assessments</p> <p>Active asset management strategy in place</p> <p>Up to date HRA business plan</p> <p>Stress testing of business plan</p> <p>Up to date capital programme</p> <p>Annual budget and planning exercise</p>	Executive Director (Finance & Resources) (CBH)	Ongoing
CBH 27	If there are less effective systems, structures and processes ensuring H&S	Martin Stacy	5	2	10	Reduce	Big 6 specialist audit programme in place	Executive Director (Property &	Ongoing



Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score  (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	and property compliance, then there will be a danger to employees, customers and general public leading to injuries and or death with potentially significant fines and prosecution.						Corporate risk assessments up to date  Health, wellbeing and safety annual policy statement  Use of personal safety devices  H&S managers current assessment of H&S & compliance	Communities) (CBH)	
CBH 9	If the partnership between CBC/CBH is not positive and collaborative, then this will reduce both partners' ability to deliver key aims of the HRA Business Plan.	Martin Stacy	3	3	9	Reduce	Management agreement and schedules  Annual budget and planning exercise  CBC-CBH Meeting protocol  CBC Member attends CBH Board	CEO (CBH)	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score  (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
							Share business performance information with CBC		
CBH  11	If we do not maintain mechanisms to seek out and act on customer engagement and maintain the quality of services shaped by that feedback, then there will be falling levels of customer satisfaction and reputational impact, costs will increase and targets will fail to be met, with increasing scrutiny from the Regulator for Social Housing.	Martin Stacy	3	3	9	Reduce	Regular tenancy visits  Annual costs and performance exercise  Business performance reporting  Regular performance benchmarking  Business monitoring system in place  Customer service standards in place  Tenant Scrutiny Improvement Panel in place	Executive Director (Property & Communities) (CBH)	Ongoing