

## REDDITCH BOROUGH COUNCIL

**Executive Committee  
2026**

**21<sup>st</sup> April**

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HRA Business Plan Update to Enhance the Delivery of the Housing Improvement Plan

Relevant Portfolio Holder	Councillor Hartnett and Councillor Woodall ( <i>Councillors Hartnett and Woodall were the relevant Portfolio Holders on the date of the Executive Committee meeting</i> )
Portfolio Holder Consulted	Yes
Relevant Assistant Director	Simon Parry
Report Author	Job Title: Simon Parry Contact email: simon.parry@bromsgroveandredditch.gov.uk Contact Tel: 3201
Wards Affected	ALL
Ward Councillor(s) consulted	No
Relevant Council Priority	Community and Housing
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	
This report contains exempt information as defined in Paragraph(s) 3 of Part I of Schedule 12A to the Local Government Act 1972, as amended	

### **1. RECOMMENDATIONS**

**The Executive Committee RECOMMEND that: -**

- 1) The 30 year HRA Business Plan and associated Financial Model are reviewed, updated and as appropriate recalculated utilising modelling that ensures the Council's Housing Stock Portfolio is able to benefit from and perform to the highest standards possible.**
- 2) The high-level findings and risks identified in the report are reviewed and a revised HRA Business Plan is included in a future report.**
- 3) An annual review of the HRA Business Plan is undertaken and reported to Council.**

### **2. BACKGROUND**

- 2.1 The Housing Revenue Account (HRA) is a ring-fenced account used to manage the Council's landlord activities and is funded primarily through rental income and associated service charges, which must be spent for the benefit of council housing tenants. While legislation prevents direct subsidy flowing between the General Fund and the HRA, a

well-understood, lawful and balanced relationship between the two remains important and mutually beneficial, supporting effective corporate governance, value for money and the sustainable delivery of council services.

- 2.2 In February 2023, Executive approved a 30-year HRA Business Plan, which set out the Council's long-term approach to the management, maintenance and investment of its social housing stock. The Business Plan provided the strategic and financial framework for delivering landlord services, maintaining financial sustainability, and supporting a planned programme of capital investment.
- 2.3 The Business Plan was developed alongside a refreshed HRA Asset Management Strategy, ensuring that investment decisions were informed by stock condition data and aligned to the Council's objectives for providing homes that are safe, warm and of a good standard. This was reflected through the Council's five-year Housing Capital Programme.
- 2.4 Long-term capital forecasts within the 30-year Business Plan were informed by an independent Stock Condition Survey undertaken in 2019/20, covering the Council's housing stock, garages and parking sites. The survey concluded that the housing stock was generally in a reasonable state of repair, with relatively low levels of immediate 'catch-up' work required. However, it also identified the need for continued and sustained investment over the life of the Business Plan to maintain standards and address longer-term asset condition.
- 2.5 The Business Plan was underpinned by a series of financial and operational assumptions, including:
- Changes in stock numbers, right-to-buy levels and voids.
  - Rent and service charge increases.
  - Management and maintenance costs; and
  - Borrowing costs associated with capital investment requirements.
- 2.6 These assumptions were designed to be reviewed, with appropriate HRA reserves maintained to provide resilience against cost pressures or changes in circumstances. In line with best practice, business plans are based on long term assumptions, refreshing these assumptions regularly in the light of actual or changing events is critical.
- 2.7 Considering strengthened regulatory requirements, the expectations set out within the Council's Housing Improvement Plan, and the fact

that the HRA Business Plan is now three years old, it is both prudent and necessary to undertake a review to assess opportunities to accelerate the delivery of actions identified through the Improvement Plan. This will support improved service delivery and ensure residents are kept safe in line with the Council's legislative, compliance and regulatory obligations.

**3. OPERATIONAL ISSUES**

- 3.1 The housing sector has undergone significant change in recent years, particularly from a regulatory perspective. This includes the strengthening of the Regulator of Social Housing (RSH) and the introduction of increased legislative requirements, driven largely by the response to the Grenfell Tower tragedy and subsequent reforms to building safety and consumer regulation.
- 3.3 As part of these reforms, the Regulator now has enhanced powers to proactively inspect social housing providers. Redditch Borough Council received its regulatory judgement in July 2025, at which point it was issued with a C3 rating. A C3 rating means that "there are serious failings in the landlord's delivery of the outcomes of the consumer standards and significant improvement is required".
- 3.4 The regulatory judgement identified significant areas of weakness, including outstanding fire safety remedial actions, backlogs in repairs, gaps in transparency and oversight of performance reporting, and the absence of effective tenant scrutiny arrangements. These findings highlight the need for a clear, credible and accelerated approach to delivering the Council's Housing Improvement Plan and restoring regulatory assurance. The relationship between the major repairs programme and the capital programme is critical to securing best value. Effective alignment ensures that investment decisions are planned in a co-ordinated way, preventing duplication, avoiding abortive revenue spend, and targeting resources where they deliver the greatest whole-life benefit. By coordinating major repairs with planned capital works, the Council can optimise asset condition, extend component lifecycles, improve long-term value for money, and ensure that limited resources are deployed strategically rather than reactively.
- 3.5 Refreshing the Business Plan provides the opportunity to review whether the HRA can prudently and sustainably support additional borrowing, accelerate delivery of new council homes where viable, and increase investment in existing properties to address stock condition

and compliance issues, improve energy efficiency and long-term asset sustainability and ensure ongoing compliance with current and emerging regulation.

- 3.6 The updated assumptions reflected in this report have been tested against Long-term HRA affordability and sustainability Impacts on rents and service charges; Exposure to financial risk, including interest rate movements and inflation; and Alignment with the Council's capital and treasury strategies.
- 3.7 To undertake this work the Council commissioned sector experts Savills UK Limited. To consider the business plan in 2 phases
- 1) to identify immediate potential headroom for investment to expedite the housing improvement plans focussed on high priority safety works
  - 2) to explore the scope for future growth in housing stock through a full review of capital financing options.
- 3.8 This review has two objectives:
- (i) to secure a sound and efficient approach to the £15million repayment of the subsidy debt, due in March 2027
  - (ii) to maximise capacity for additional stock via a low-risk growth strategy the focus is on low-risk, high-value delivery options. This includes prioritising Section 106 acquisitions and limiting exposure to open-market sales, which reduces financial risk and market dependency. The approach also maximises flexibility in tenure mix, allowing homes to be allocated across social rent, affordable rent, or other tenures as needs change. This ensures the Council can respond effectively to the greatest housing pressures while maintaining value for money and delivery confidence.
- 3.9 Following a review of the 2022/23 Redditch HRA Business Planning financial model, Savills have produced a report (Appendix 1) utilising their own model thereby recreating the plan using an agreed combination of assumptions, with the Council's Medium Term Financial Plan (MTFP) providing the basis for the majority of these. This report presents important findings and risks at a high level. A summary is provided below, with further details included in the Executive Summary starting on page 2 of Appendix 1.

### 3.10 *Overview of Key Themes and Issues*

#### 3.10.1 Financial Viability and Assumptions

The HRA business plan was originally assessed as viable and capable of supporting modest growth without additional borrowing. However, since the baseline was established, there have been significant changes in the economic climate, housing regulation, building safety expectations and energy standards. These changes place increased pressure on the plan and require a more dynamic approach to financial modelling, with regular refreshes to ensure assumptions remain realistic and affordable in practice.

#### 3.10.2 Income Growth, Rent Policy and Collection Risk

The plan assumes that rental and other income streams grow at a faster rate than operating costs over the full 30-year period. Operationally, this places increased importance on effective rent setting decisions, robust rent collection performance, and active management of voids and arrears.

Key income risks relate to the implementation of rent convergence, the use of rent flexibilities on re-lets, and the accuracy of assumptions around void loss and bad debt provision. While these offer opportunities to strengthen HRA income, they also require clear policy decisions, system capability, and ongoing monitoring to ensure that assumed income levels are achievable and sustainable.

#### 3.10.3 Service Charges and Cost Recovery

Service charge income is assumed to increase significantly in the medium term as services are better identified and recharged. Operationally, it is necessary to enhance cost allocation, maintain transparent communication with tenants and leaseholders, and demonstrate that charges are both reasonable and recoverable. There are also opportunities to review discretionary services currently funded through the HRA and consider whether separate charging would improve fairness and maximise income recovery.

#### 3.10.4 Stock Investment, Compliance and Data Quality

The level of capital investment assumed for the existing stock is lower than sector benchmarks and is currently based on outdated stock

condition information. This creates operational risk, particularly as the Council responds to ongoing regulatory changes, and wider consumer regulation expectations. Until stock condition data is refreshed and compliance requirements are fully quantified, there remains uncertainty around the true scale, timing and prioritisation of investment needed, increasing the risk of reactive rather than planned intervention. The model and initial review were based on stock condition data from 2020 surveys, since then a rolling programme of surveys have been undertaken and refreshed data will be used in the next phase of this review.

### 3.10.5 Borrowing Profile and Refinancing Exposure

The HRA benefits from historically low interest rates on existing borrowing; however, loans begin to mature from 2027 onwards. Operationally, this creates a refinancing risk that is not fully reflected in the current plan. Given limited capacity to repay principal at maturity, future borrowing is likely to be at higher rates, which could place pressure on revenue budgets and investment capacity unless mitigated through early planning and scenario testing.

### 3.10.6 Depreciation Policy and Revenue Flexibility

While day-to-day management and repairs costs remain broadly in line with sector benchmarks, the Council's approach to depreciation results in a relatively high transfer of resources into the Major Repairs Reserve. A review of depreciation policy could allow greater discretion in how revenue resources are deployed, particularly to manage emerging pressures or support delivery of priority works.

### 3.10.7 Development Programme Delivery and Risk Management

The development programme included in the MTFP improves the long-term position of the HRA, provided it is delivered within cost and timescale assumptions. In the early years of the plan, borrowing levels are relatively high against indicative prudential benchmarks, increasing the importance of strong project management, cost control, and delivery discipline.

There is potential to accelerate delivery, particularly if Homes England grant funding is secured, but this would require careful consideration of additional borrowing in a high interest-rate environment. Similarly, an acquisition-based strategy would increase stock levels in advance on land-based developments undertaken by the Council.

- 3.11 The next stage of the HRA Business Plan review will explicitly consider the range of options identified above to maximise borrowing headroom and investment capacity. This will include the impact of rent convergence and available flexibilities, a review of asset lives, and the integration and alignment between the capital programme, major works and responsive repairs. These options will be assessed alongside the potential move towards component accounting, ensuring that depreciation more accurately reflects asset performance and supports longer-term financial sustainability.
- 3.12 In parallel, the review will incorporate a clear investment strategy that prioritises acquisition in the early years of the Business Plan, followed by a shift towards land-led development in later years. This phased approach is intended to deliver the greatest impact on housing growth and investment delivery, enabling the Council to increase stock numbers quickly in the short term while building capacity for more complex development activity over time.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 The objective of the next stage is to apply, subject to approval, a new financial modelling tool, with specialist support, where required, to optimise the profile of affordable borrowing within the HRA. This will seek to increase borrowing headroom for investment in the early years of the Plan, when delivery pressures are most acute, while smoothing the current exponential rise in headroom projected in later years. This approach will support earlier delivery of priority investment, provide greater financial resilience, and strengthen the overall deliverability of the Housing Improvement Plan and growth ambitions.

#### **5. LEGAL IMPLICATIONS**

- 5.1 In November 2020, the Ministry of Housing, Communities and Local Government (now the Department for Levelling Up, Housing and Communities) issued guidance on the operation of the Housing Revenue Account (HRA) ring-fence. The guidance emphasised the need for fairness to both tenants and council taxpayers, with costs apportioned transparently and appropriately between the HRA and the General Fund.
- 5.2 The Localism Act 2011 reformed council housing finance by ending the former HRA subsidy system and introducing self-financing

arrangements, enabling local authorities to retain rental income to support the management and investment of council housing.

- 5.3 The removal of the HRA borrowing cap in October 2018 provided local authorities with greater flexibility to borrow against future rental income, subject to compliance with the CIPFA Prudential Code, ensuring borrowing remains affordable, prudent and sustainable.

6. **OTHER - IMPLICATIONS**

**Local Government Reorganisation**

- 6.1 Housing functions remain statutory (homelessness, allocations, landlord duties for stockholding councils). For councils with HRAs, the HRA and landlord obligations continue, similarly Consumer regulation continues regardless of LGR with The Regulator of Social Housing (RSH) inspecting and issuing judgements under the new regime.

**Relevant Council Priority**

- 6.2 Accelerating delivery will support the Council Plan objectives, strengthen long-term income generation within the Housing Revenue Account, and increase the supply of good-quality, affordable homes for local residents. The immediate priority is to speed up delivery of the Housing Improvement Plan, with clear emphasis on essential health and safety works, including fire safety remedial actions. Once these critical risks are addressed and the position is stabilised, the Council will be able to move forward confidently into a programme of sustainable housing growth.
- 6.3 Key housing-related activities and commitments within the Council Plan include:
- *Increasing the supply of council and affordable homes* to reduce housing waiting lists and meet local need, including delivering new homes directly and making best use of existing stock.
  - *Ensuring homes are safe, warm and well-maintained*, with a strong focus on compliance with building safety requirements, fire safety, and emerging legislation such as Awaab's Law.

- *Tackling damp and mould proactively*, with investment already committed ahead of legislative requirements to improve health, safety and living conditions for tenants.
- *Improving the quality and condition of existing housing stock*, supported by sustained capital investment, planned maintenance programmes and evidence-led asset management.

**Climate Change Implications**

- 6.4 The Council continues to invest in improving the energy efficiency of its existing housing stock, supported by secured Government funding, including Warm Homes programmes. This investment supports national objectives to improve energy performance, reduce fuel poverty and contribute towards long-term net zero targets.
- 6.5 Ongoing programmes include upgrades to heating systems, electrical installations and lighting, alongside works to improve insulation and thermal performance. These measures will reduce carbon emissions, lower energy consumption and improve comfort and affordability for tenants, particularly those experiencing fuel poverty.
- 6.6 New council homes delivered through the housing growth programme will be built to high energy-efficiency standards and will utilise low-carbon heating solutions, supporting wider climate change commitments.
- 6.7 Improving the energy efficiency of council homes is central to tackling fuel poverty, reducing household energy bills and improving tenants' quality of life, while also supporting the Council's Climate Change Strategy and carbon reduction ambitions.

**Equalities and Diversity Implications**

- 6.8 The findings from opportunities identified through a review of the HRA Business Plan, which may create headroom and thus facilitate investment in new or existing stock, will result in an Equality Impact Assessment being conducted.

**7. RISK MANAGEMENT**

- 7.1 This report does not introduce any new or additional risk. Rather, the proposed review of the HRA Business Plan is intended to proactively identify and mitigate a range of existing and emerging risks, including

financial sustainability, regulatory compliance, data quality, and the Council's capacity to deliver its Housing Improvement Plan effectively.

**8. APPENDICES and BACKGROUND PAPERS**

Appendix 1- Savills HRA Business Plan Review Report

**9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder	Cllr Woodall Cllr Hartnett	1/4/2026
Lead Director / Assistant Director	Guy Revans	10/4/2026
Financial Services	Julie Lorraine	10/4/2026
Legal Services	Sarah Sellars	1/4/2026
Policy Team (if equalities implications apply)	N/A	
Climate Change Team (if climate change implications apply)	N/A	