

HRA Projections

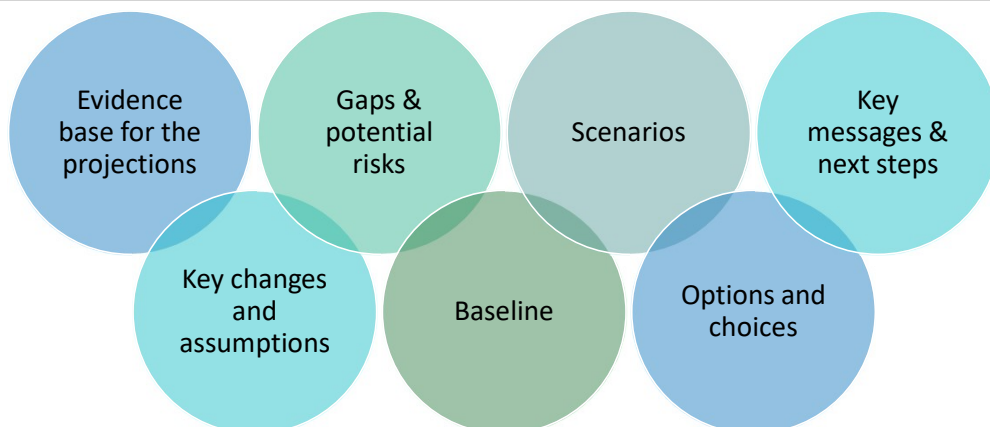
TAMWORTH BOROUGH COUNCIL
HOUSING & HOMELESSNESS ADVISORY BOARD BRIEFING

13 February 2025

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Housing Finance Associates

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This Briefing



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A – Evidence Base

Best available data from the Council	<ul style="list-style-type: none"> Current budgets Stock condition data
Official projections, where available	<ul style="list-style-type: none"> Bank of England Monetary Policy Report
Supplemented by	<ul style="list-style-type: none"> Intelligence from other local authorities Agreed assumptions
Provides early warning of risks & opportunities, based on what we know now	

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B – Key changes since February 2024

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B – Rent assumptions

Rent increases

- CPI +1% increases until 2030/31
- CPI-only rent increases from 2031/32

6.1% of stock re-let at formula rent each year

- 247 units re-let at formula rent in 2024/25

Rent loss

- Void loss maintained at 1.26% over the long term
- Rent loss from bad debts continues at budgeted levels

No use of rent flexibility

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B – Right to Buy

RTB sales affected by announcements in the October 2024 Budget

Influx of applications by the 21 November deadline

Sales from 2026/27 are likely to drop to historic levels

Impact on receipt levels

Receipt per unit will rise as a result of the reduction in RTB discount levels

Allowable debt receipts likely to disappear

Overall receipt levels likely to be lower

Awaiting results of Government consultation

Sales continue throughout projections

20 units pa in 2024/25 and 2025/26

14 units pa from 2026/27

Steps taken to avoid interest penalties

Receipts unused after 5 years are granted to an RP

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B – New Stock

Reflects modest development/acquisition expectations

11 new dwellings between 2024/25 and 2029/30

All units for social rent

Part-funded by retained RTB receipts

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C – Gaps & Potential Risks

Capital investment costs

- Stock condition data is being updated and may change investment required
- Shortage of specific data on decarbonisation, so an allowance has been used
- Total costs per unit are representative, but may change

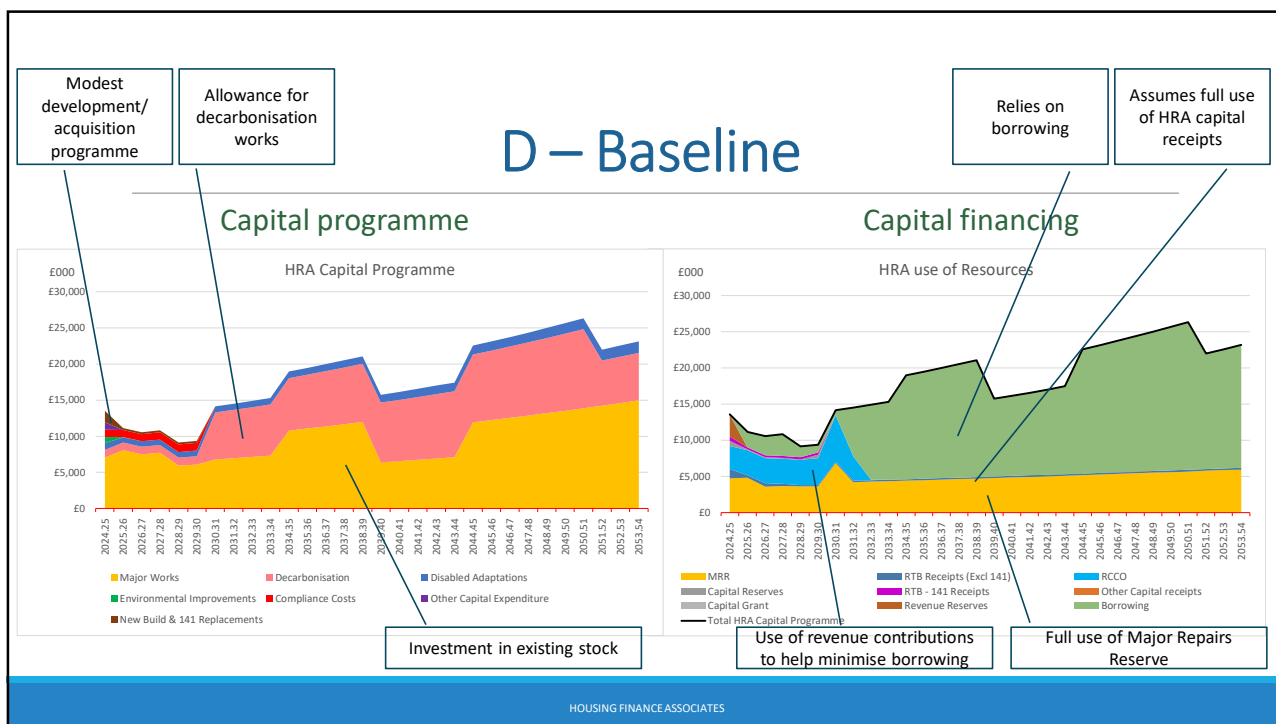
Lack of certainty around future National policies

- Treatment of Right to Buy receipts has still to be confirmed
- Decarbonisation requirement
- Available funding

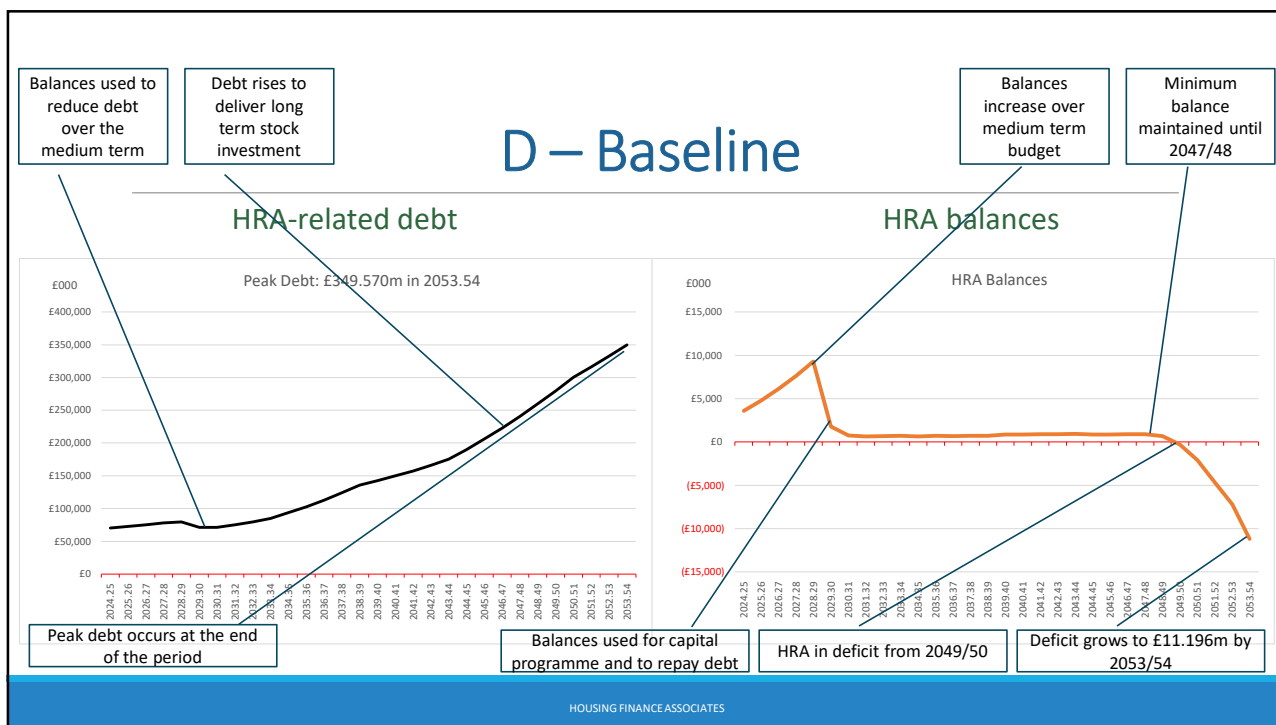
Further details expected following government consultations

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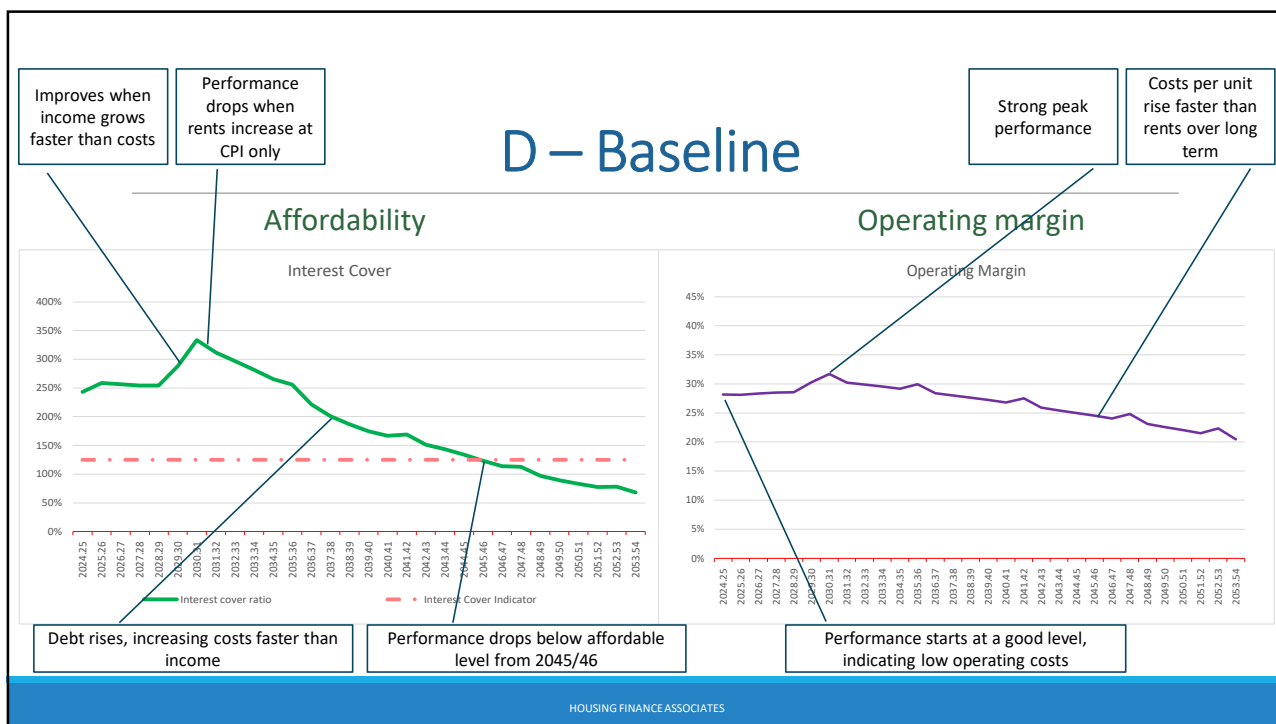
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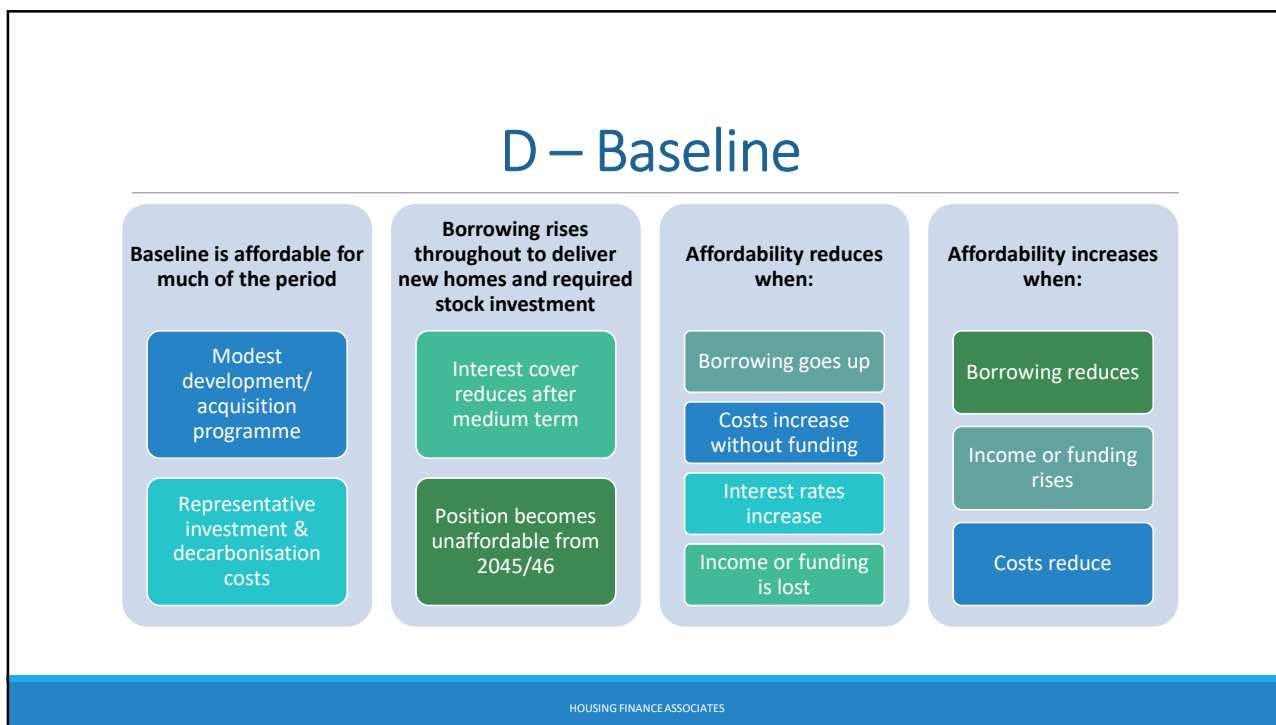
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E – Decarbonisation Impact

Reduced decarbonisation allowance

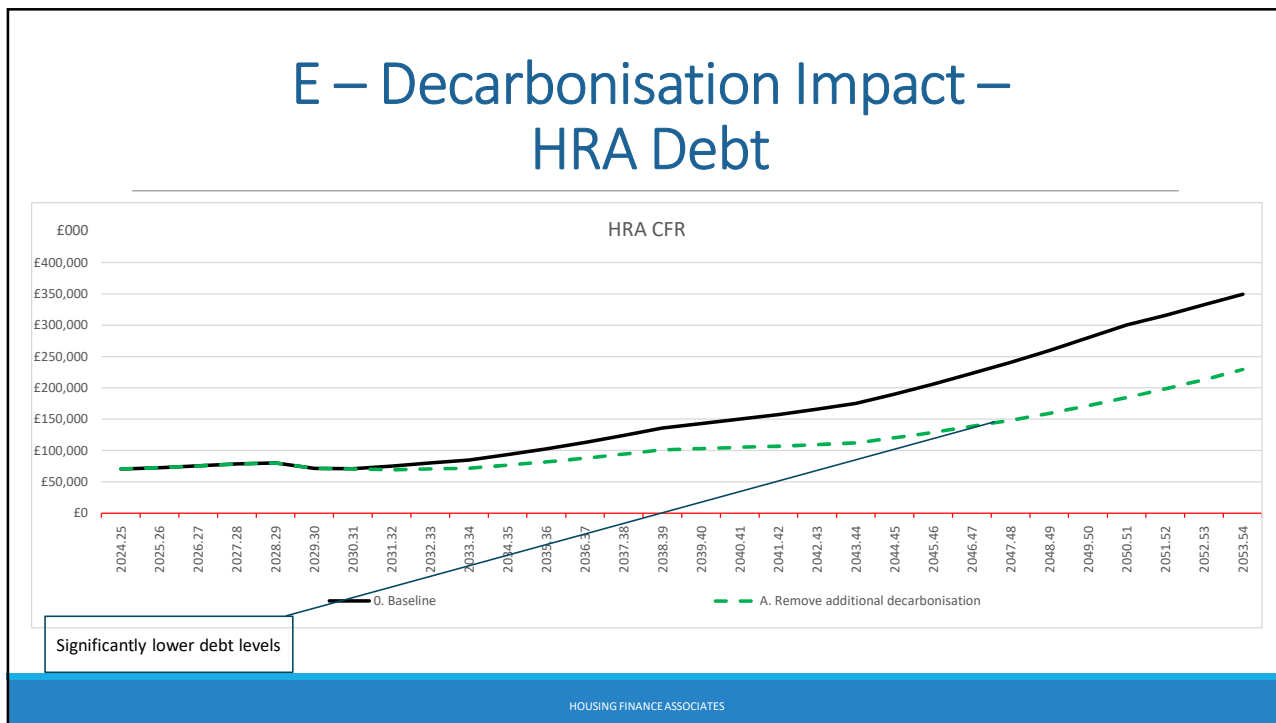
Remove £12k “top-up”
decarbonisation
allowance per dwelling

All other assumptions as
Baseline

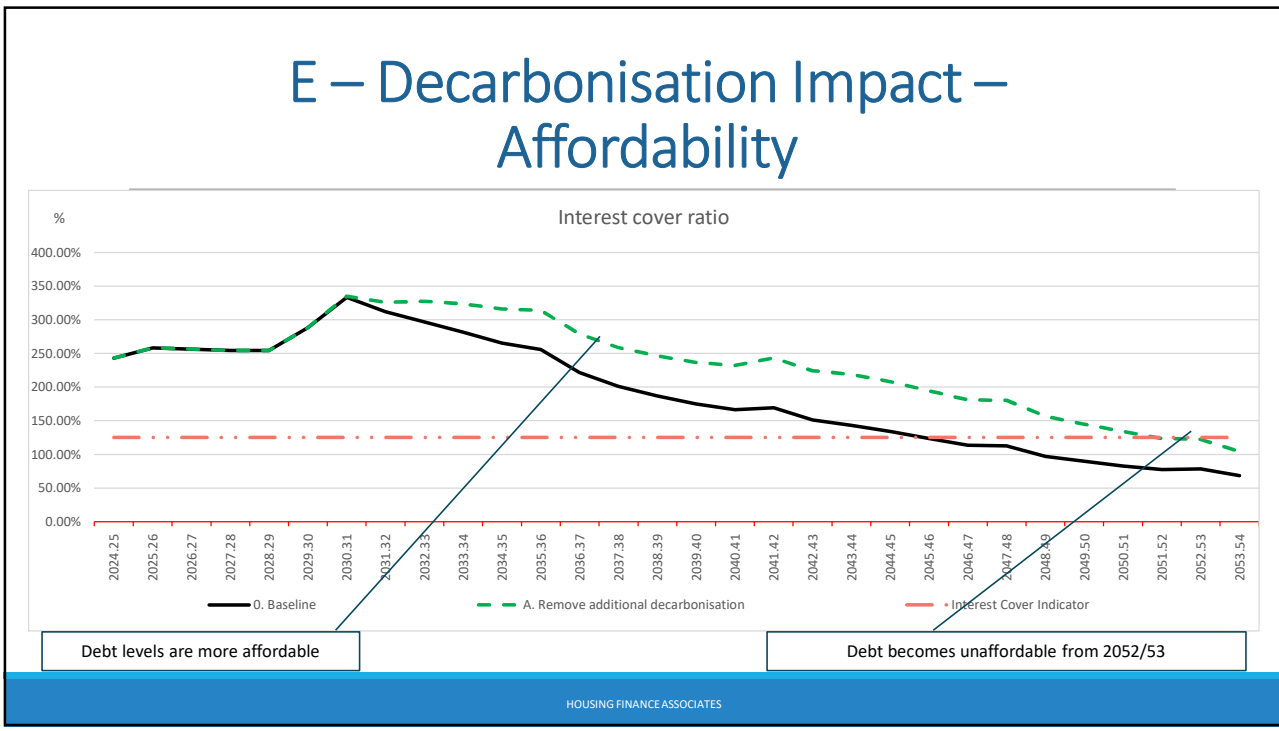
Illustrates impact of
potential
decarbonisation
requirement

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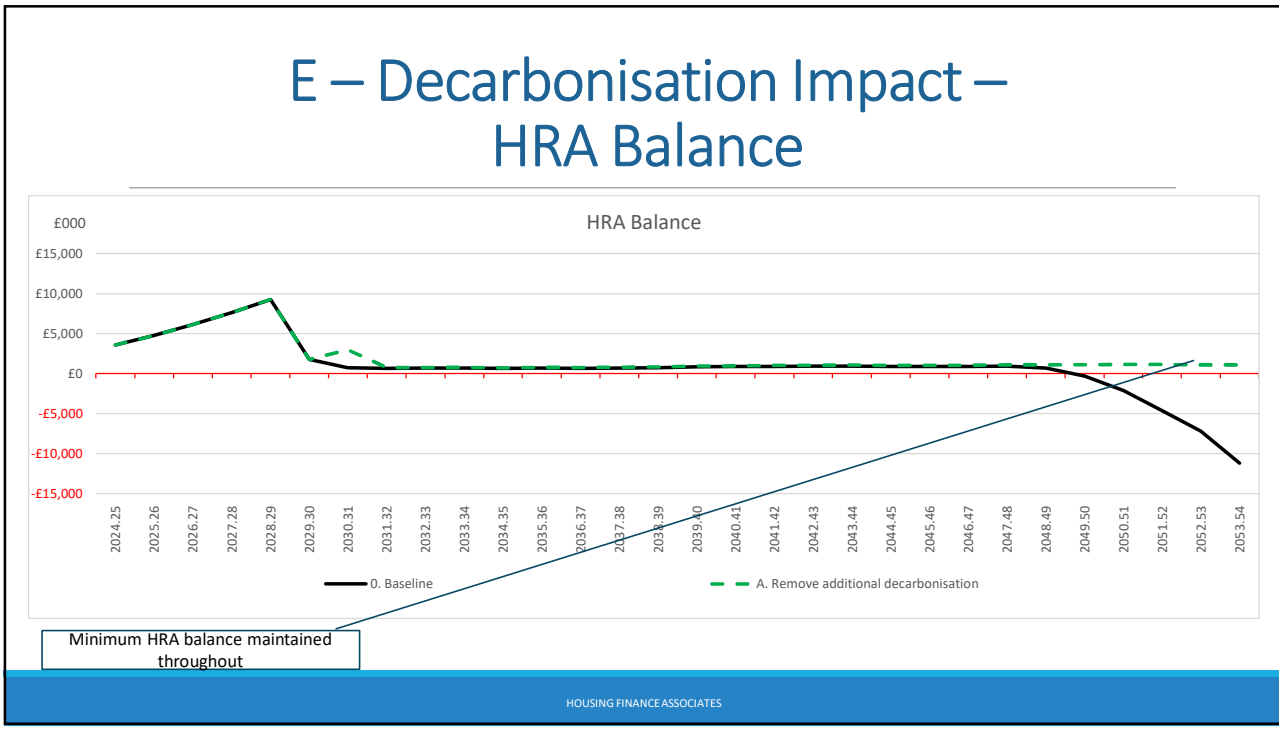
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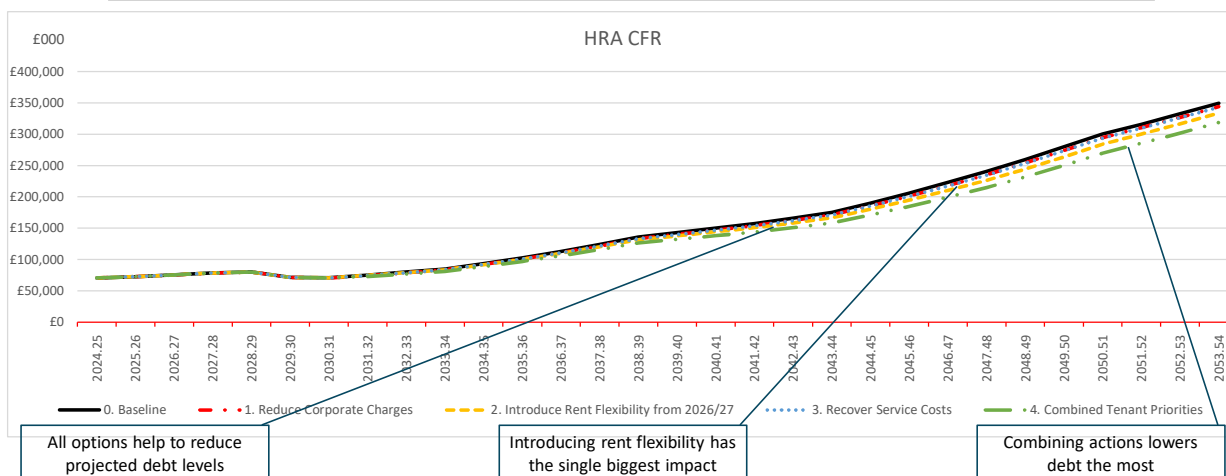
E – Impact of tenant priorities

- 1 • Reduce corporate charges to the HRA by 10%
- 2 • Introduce rent flexibility for new lettings
- 3 • Improve recovery of service costs
- 4 • All three measures, combined

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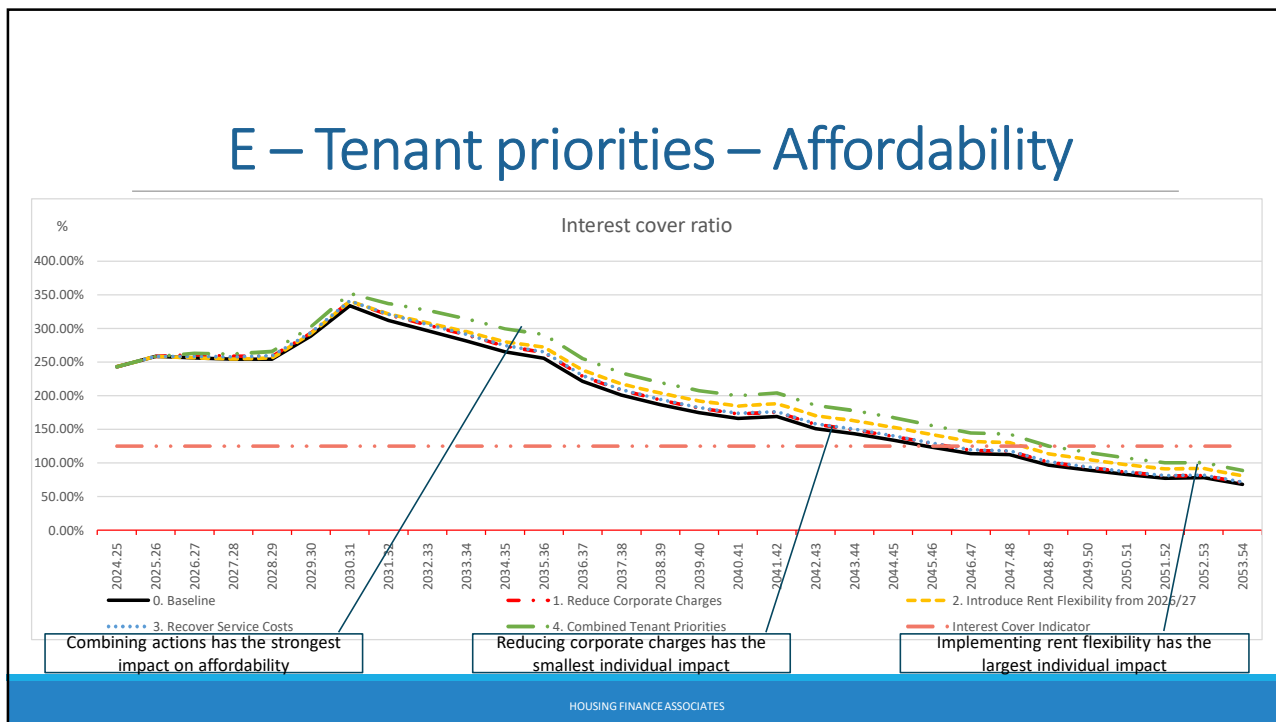
E – Tenant priorities – HRA Debt



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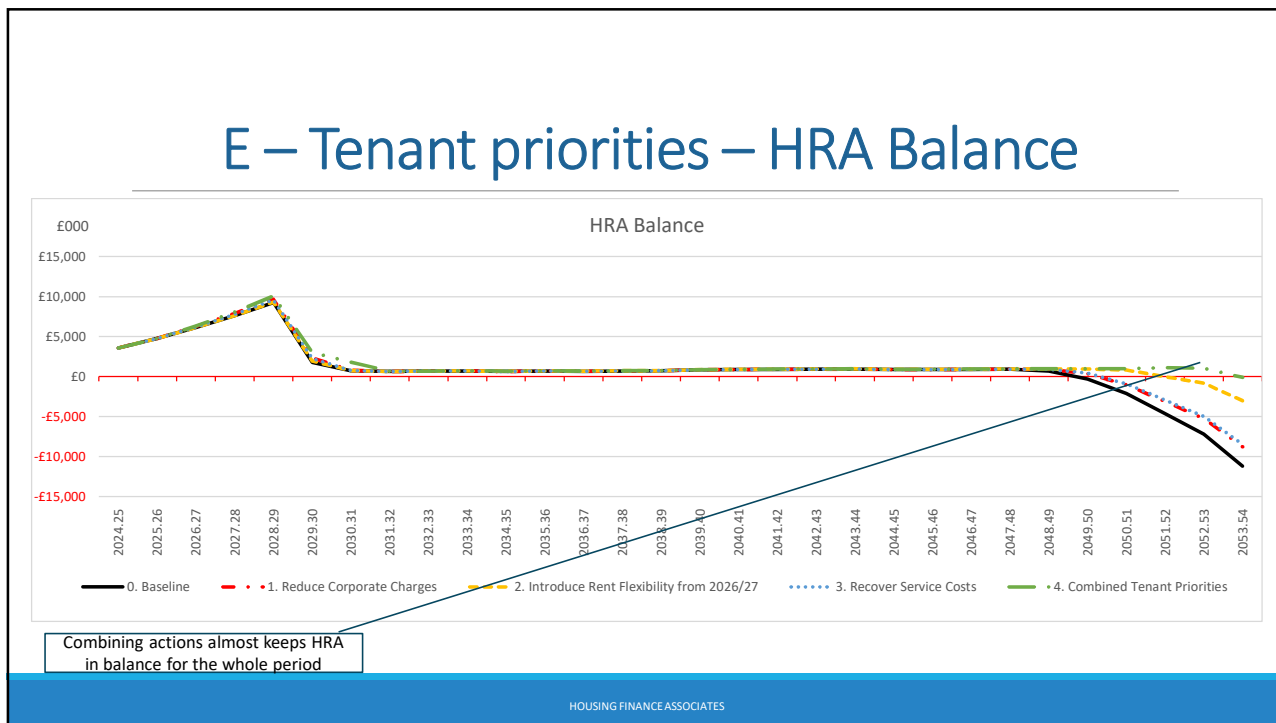
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E – Tenant priorities – Affordability

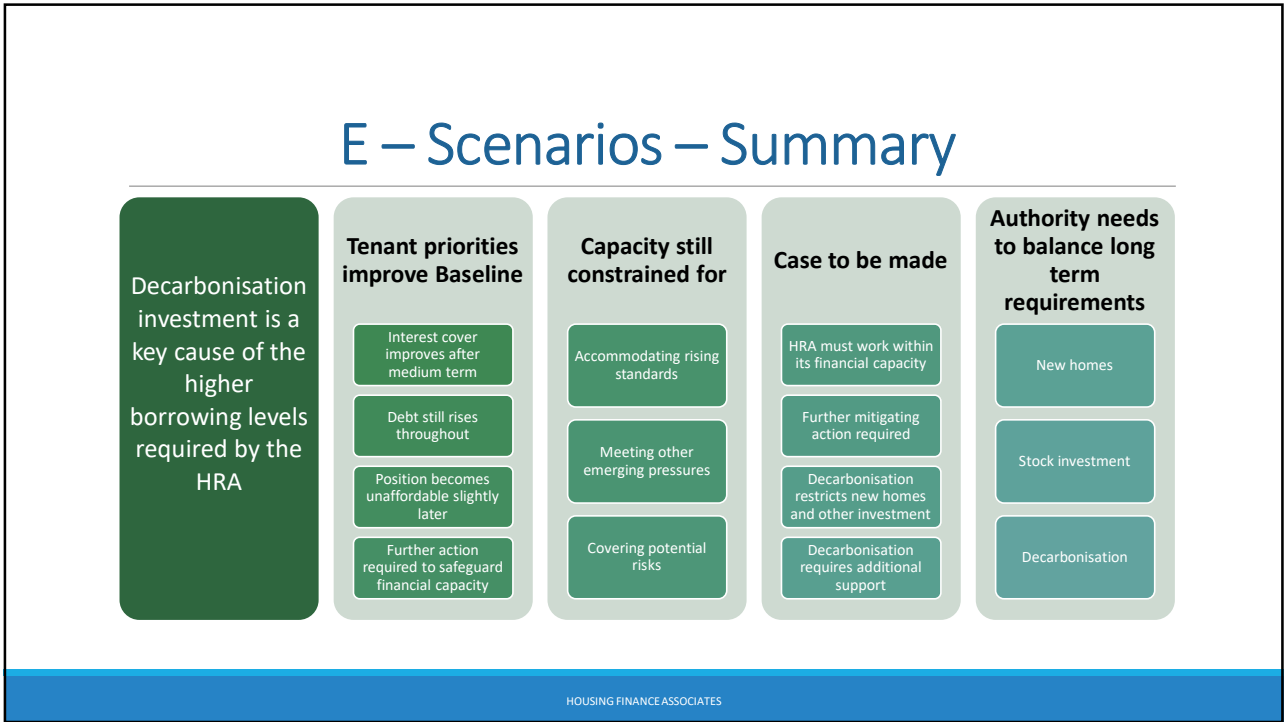


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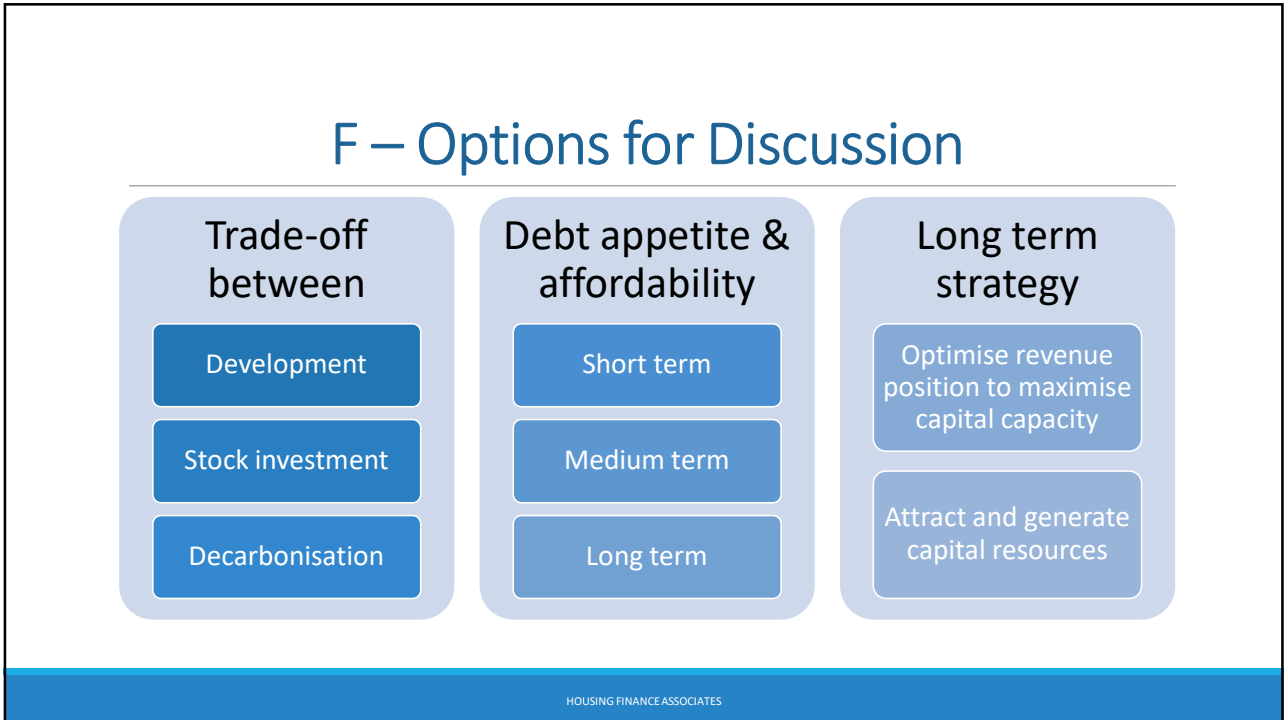
E – Tenant priorities – HRA Balance



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F – Choices that Improve the Position

Improve revenue performance

- Investigate options for reducing costs further over the medium term
- Ensure service charges recover service costs
- Introduce rent flexibility when re-letting a social rent home

Reduce borrowing

- Consider allocating more resources to finance the HRA capital programme
- Dispose of under-performing or high value assets to maximise receipts
- Seek additional funding

Set and deliver strict performance requirements for new development

- Take a cautious approach to developing and acquiring new stock
- Consider a mixed tenure approach to new homes
- Require payback within 30 to 40 years and a positive NPV across the programme

A combination of these measures should be used

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G - Key Messages

- The authority's HRA is in an affordable for most years into the long term
- Performance is impacted by heavy reliance on borrowing
- Priority actions identified with tenants start to address the issue
- The authority needs a medium term plan to continue improving the position
- Make the case for national policies that support the HRA
- Seek resources to help finance the costs of decarbonisation.

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G – Next Steps

- Treat the HRA as a long-term business
- Minimise operating costs while maximising income
- Set & deliver strict financial performance requirements for new homes
- Manage the costs of capital investment and development
- Make sure additional costs and pressures are funded
- Continue to refine the available data
- Remain alert to the impact of changes in circumstances

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