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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 16a</b>
<b>DATE OF MEETING:</b>	<b>23<sup>rd</sup> June 2011</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>Mark Alflat – Director of Operations</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>Bob Ledger</b>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>Housing Revenue Account (HRA) Business Plan</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>All</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1. Recommendations**

- 1.1 To approve and adopt the draft Housing Revenue Account (HRA) Business Plan as recommended by the Housing and Community Services Committee.
- 1.2 To approve that further detailed reports are brought to Committee later in 2011/12 on specific aspects of the plan including treasury management/debt options and a medium term income strategy.

## **2. Purpose of report**

- 2.1 To seek approval from members for the draft new Housing Revenue Account Business Plan.

## **3. Proposal**

- 3.1 An HRA Business Plan is required to fully outline the opportunities and pressures on the service, to give strategic direction and to project the business into the future.
- 3.2 The detailed Housing Revenue Account Business Plan was considered and approved at the Housing and Community Services Committee on 16<sup>th</sup> June 2011. The Executive Summary is attached at **Appendix 1**.
- 3.3 Although it may no longer be a government requirement that the Housing Revenue Account has it's own Business Plan it is good practice for the Council to have such a plan given that:
  - The HRA is a legally separate part of the Council operation with a current annual turnover of over £10m.
  - The reform of Housing Revenue Account finance is imminent and the new self-financing regime will be introduced from April 2012.
  - We have a recent stock condition survey (2009), and thereby housing stock, that requires significant investment funding over the next 30 years.
  - The need to reflect, in an auditable way, tenant aspirations in the term of the plan.

- 3.4 The last HRA Business Plan was adopted in 2006. A process was approved at the April 2010 Housing and Community Services Committee for the creation of a new plan. This entailed a joint stakeholder group made up of equal numbers of councillors, tenants and staff supported by the Head of Housing, the Performance and Business Manager and a specialist consultancy. A budget of £15,000 was approved for the process.
- 3.5 Details of the HRA reform proposal were slow in emerging during the summer and autumn of 2010. This was inevitable given the change of national government. Therefore the preparation of our business plan was also delayed pending a clearer national policy direction. The working group met for the first time in early November 2010 and for the last on the 18<sup>th</sup> April 2011. The process worked well and there was broad agreement on the key issues. There was also good constructive dialogue on a number of matters where members of the group did have differing views. What is represented in the final draft, for the most part, is the consensus of the group. The process was completed within budget.

#### **4. Corporate implications**

- 4.1 Having effective and up to date financial plans is clearly important to the Council in terms of its successful operation but also in how well we are regarded in external audits and reviews. As a key part of Council operations the Housing Revenue Account needs a detailed strategic plan that outlines its priorities over an initial five-year planning period but also looking further over a 30-year period.
- 4.2 Some of the proposed further detailed reports on specific parts of the plan, such as treasury management and income policy, will be brought by the Chief Finance Officer or jointly with the Head of Housing and Environmental services. The Chief Finance Officer has reviewed the proposed business plan and supports the financial rationale and process utilised.

#### **5. Community implications**

- 5.1 Tenants were represented on the stakeholder working group and all tenants were consulted through workshops and newsletters in the plan's formation. A separate chapter in the plan details how tenants were consulted.
- 5.2 Current and future tenants have an expectation and right that their landlord will manage the resources available to it well and in the best interests of the HRA now and into the future. Adoption of an up to date HRA Business Plan would be a key part in meeting that need.

#### **6. Financial implications**

- 6.1 There are considerable financial details within the plan.
- 6.2 There will be further reports to Committee on other specific financial matters.

### Executive summary

This business plan is focussed on the management of the authority's housing assets and financing the necessary investments. It is the key element in ensuring the effective short and long-term management and maintenance of the council housing stock.

The key issues identified in the plan are:

- The new financing regime for local authority housing from April 2012 known as "self financing" provides a substantially improved position for the SDDC HRA (Housing Revenue Account) than the current national subsidy system.
- Self-financing will entail SDDC 'buying out' of the national system at £55m. We will need to borrow at least that amount and pay it to government in April 2012. There is no choice about this – it is being legislated for.
- The 2009 stock condition survey identified £108.2m of works required to the housing stock over the next 30 years. These cannot be funded in the current financing regime but can be funded in full in the new system.
- However the requirements of the stock condition survey are loaded to the early years of this plan and combining this with the debt interest needing to be paid means that there will be a limit to additional spending power in the first 10 years of this plan.
- The receipts from Right to Buy housing sales will still be subject to national pooling i.e. 75% of the receipt will go to government. The HRA Business Plan working group strongly recommends that the remaining 25% receipts must stay in the HRA to help fund the debt repayment, rather than be used in the General Fund as has become the norm in recent years.
- In consultation over the plan residents have expressed satisfaction with current service standards and broad spending priorities of the Council. However they would like to see additional resources committed to environmental/parking issues and a decorating scheme for the elderly and vulnerable. The provision of upgrading bathrooms to include electric showers is also recommended.
- The income and expenditure profile used within the plan is based upon rents rising in line with the government's formula rent. The idea behind formula rent is that it is linked to the local economy and local circumstances. According to the government's formula we are significantly undercharging for the quality of the product we are providing relative to those local circumstances. The working group are recommending that the Council should move its rents to the government formula level as soon as possible. A five year rent policy is proposed rather than an annual consideration to enable better planning of resources generated i.e. contracts can be committed knowing that the income to finance them has been broadly agreed.
- With self financing comes more financial freedom although we have a borrowing cap of £64m imposed upon us. At two extremes, one option would be to borrow the minimum amount required to buy out of the national system, restrict investment in

the stock as much as possible and pay off the debt as soon as possible. As opposed to the other extreme of borrowing and spending as much as possible and paying off debt as late as possible. The working group is recommending borrowing £60m.

- There are several key issues that need to be considered in greater depth subsequent to the adoption of this plan and to be approved in the Council's formal Committee structure in 2011/12. The most notable are a treasury (or debt) management strategy, a rent income strategy for the next five years and, alongside that, an updated five-year stock investment detail.
- This plan also includes for a pilot refurbishment of a garage site given that we need to develop a strategy of dealing with our 52 garage sites many of which are in a poor condition.
- Further work is also recommended on the disaggregating of service charges and the use of HRA facilities by the wider community i.e. generating more income by charging for those who receive more services or by charging in line with costs.