

# REPORT TO CABINET

**REPORT OF:** HEAD OF HOUSING & NEIGHBOURHOODS

**REPORT NO:** H&N06/14

**DATE:** 1<sup>st</sup> September 2014

<b>TITLE:</b>	<i>Housing Revenue Account Business Plan</i>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	<i>Key Decision</i>	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	<i>Cllr. Teri Bryant, Support Good Housing for All</i>	
<b>CONTACT OFFICER:</b>	<i>Ian Richardson, Head of Housing &amp; Neighbourhoods</i>	
<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below	Full impact assessment Required:
<b>Equality and Diversity</b>	Yes	No
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	<i>Housing Strategy 2013-2018</i> <a href="http://www.southkesteven.gov.uk/CHttpHandler.ashx?id=9146&amp;p=0">http://www.southkesteven.gov.uk/CHttpHandler.ashx?id=9146&amp;p=0</a> <i>Asset Management Strategy 2013-2018</i> <a href="http://www.southkesteven.gov.uk/CHttpHandler.ashx?id=11049&amp;p=0">http://www.southkesteven.gov.uk/CHttpHandler.ashx?id=11049&amp;p=0</a>	

## 1. RECOMMENDATIONS

Cabinet is recommended to approve the Housing Revenue Account Business Plan for 2014-2019

## 2. PURPOSE OF THE REPORT

To present to Cabinet for approval the draft Housing Revenue Account (HRA) Business Plan; setting out the Council's priorities for housing and how the delivery of those priorities will be financed.

### **3. DETAILS OF REPORT**

#### **The HRA Business Plan**

- 3.1 The Housing Revenue Account (HRA) Business Plan (BP) sets out the Council's priorities for social housing and how the delivery of those priorities will be financed over a thirty year period. The Plan sets out the key areas of focus for housing services and investment for the medium term whilst ensuring that sufficient revenue and capital resources are available to support long term investment in the existing social housing stock and associated services.
- 3.2 The draft plan demonstrates how investment in these housing assets is utilised to deliver SKDC's overall Housing Strategy and the significant contribution such investment makes to support the delivery of wider economic and environmental priorities which are essential to the sustainability of the service. The financial resources underpinning and enabling delivery of council owned housing services are included in the Housing Revenue Account Business Plan (HRA BP) and project a financial summary over a thirty year period. A number of assumptions are made in undertaking the financial modelling of the Plan and these are set out in an appendix to the Plan. The Plan will be subject to comprehensive review at five year intervals and to a lighter review annually or at such intervals as circumstances dictate.
- 3.3 This is the first HRA BP to be prepared since the HRA became 'self-financing' in April 2012. Essentially, self-financing has involved the Council taking on borrowing to make a payment to the government of £121.65m. This enabled release from the previous subsidy system which had resulted in SKDC being in 'negative subsidy' and a consequent requirement to hand over a significant proportion of HRA income. The net effect of the self-financing arrangement is beneficial and is referred to in more detail in the draft Business Plan.
- 3.4 The Council has borrowing headroom which, following repayment of the £25m loan in 2019/20, could enable investment of up to £60m in new build/refurbishment in addition to the existing financial commitments outlined in the HRA Asset Management Strategy. The plan sets out the intention to maximise the use of reserves and borrowing headroom to deliver local economic growth, social, health and wellbeing benefits through the development of new affordable housing.
- 3.5 During the initial phase of this plan, £8m will be available from existing resources for investment in new housing; derived from capital receipts and working balances. During this phase of investment an appraisal will be completed to establish the most financially advantageous funding model to support further and more significant investment over the later phases of the plan.

## **Key features of the HRA Business Plan**

- 3.6 The key features of the HRA BP are:
- An introduction: setting the context for the BP
  - The vision for social housing in South Kesteven: illustrating how the BP supports achievement of the corporate priorities and delivery of the housing and asset management strategies
  - Tenant Empowerment and Scrutiny: setting out the role of tenants in shaping services and scrutinising their delivery
  - Service Standards and Value for Money: outlining how customer feedback is used and how we will be seeking to improve our services in the short to medium term
  - Asset Management and Investment in New Social and Affordable Housing: indicating how property standards will be achieved and maintained, how property assets will be managed, illustrating the need for new housing and the potential benefits that could be achieved by working with other delivery partners
  - Delivery of the Business Plan - financial strategy and planning: summarising the financial operating framework, including the loan portfolio and impact of the Right to Buy (RTB)
  - Governance and Risk Management: making the linkages between good governance and good performance
  - Supporting Information: contained in appendices to the BP and in related documents referred to in the BP; including the Housing Strategy and Asset Management Strategy
- 3.7 The Business Plan makes a commitment to maximise investment in new housing; using reserves, capital receipts and borrowing capacity whilst maintaining a financially robust long term financial plan. Provision is made to resource delivery of the Council's Housing Asset Management Strategy and to continue to adopt procurement methods which deliver high quality outcomes and good value for money. In anticipation of the investment in new housing flowing from the plan, a commitment is also made to take advantage of off-site construction methods and of technologies which reduce cost in use for tenants, promote affordable warmth and reduce environmental impact of construction work.

## **Development of the HRA Business Plan**

- 3.8 The Resources Policy Development Group (PDG) contributed to the development of the draft plan which was then subject to consultation with the Tenants' Service Review Groups (SRGs). In discussing the possibilities, both the PDG and the SRGs were mindful of the potential for increased investment made possible by the introduction of the self-financing regime; enabling scope for an ambitious investment programme whilst still maintaining a financially robust housing and asset management service .. Work is currently being undertaken to identify the most beneficial

procurement options for various future investment types and to work up a detailed delivery programme for 2015/16 onwards.

3.9 Through this plan development process, consideration was given to:

- The financial assumptions underpinning the draft plan
- The priorities for future investment, having regard to the need and demand for affordable housing in the district and existing supply levels
- The demographic profile of the district and that a greater number of older people will need to continue to live independently in existing council housing and that there will be insufficient specialist housing available to meet the growing need.
- The impact of Right to Buy (RTB) sales on the housing stock available to rent: the current new build programme of 33 new homes over a two year period is insufficient to keep pace with losses to the RTB process.
- The need to consider investment in improving the environment within which council housing sits. In particular, the PDG voiced support for a pilot programme of fencing and related improvements which could help to improve the sustainability and desirability of estates and make them better places to live.
- The need for house designs that are future proof a focus on the housing needs of the growing number of older people
- The potential for off-site manufacture of new homes and for the use of developing technologies to reduce cost in use to tenants and landlord, promote affordable warmth and reduce environmental impact.

3.10 The Resources PDG recognised the affordable housing challenges faced within the district and supported further development of new housing to (at least) meet the levels of RTB sales. The PDG expressed preference initially for utilising £8m identified in the short term without the need to re-finance any of the current borrowing or to access further borrowing available within the HRA's financial headroom.

3.11 In summary, the tenants' SRG were:

- Supportive of an ambitious but financially sound approach to investment; arguing that the council has a duty to do all it can to meet the social housing needs of the district and that, within sensible parameters, should seek to invest as much as possible.
- Concerned about the impact of RTB and the extent that this could be mitigated by investment.
- Supportive of the use of non-traditional construction types for new housing, particularly where this could produce lower costs in use for tenants and procurement economies.

- Positive about possible re-modelling or re-development of existing stock to better meet current and future needs.
- In agreement that the Council should use where possible flexible designs, capable of being adapted to provide for changing needs of tenants.
- Supportive of a pilot scheme of environmental improvements for existing housing; particularly fencing.
- Aware that land supply for new housing would be difficult in some locations and agreed that the development strategy should continue to include the facility to purchase housing on the open market to meet identified need.

#### **4. OTHER OPTIONS CONSIDERED**

No other options were considered as the HRA Business Plan is central to the delivery of the Council's housing services.

#### **5. RESOURCE IMPLICATIONS**

The Business Plan is fully funded and predicated on a range of financial assumptions which will be kept under review.

#### **6. RISK AND MITIGATION**

The risks associated with the business plan relate primarily to balancing the need to invest to meet identified need for housing in the district with the need to ensure financial sustainability of the Plan. Financial sustainability will be achieved by ongoing budgetary and treasury management and by ensuring that the housing stock continues to deliver the income streams required to fund housing activities.

#### **7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

The Assessment did not identify any potential for discrimination or for negative impact. Activities delivered within the framework of the HRA Business Plan will be carried out in accordance with appropriate policies or strategies, each of which will have been subject, where appropriate, to its own EIA. The Council's duties to the homeless and in housing applicants will not be adversely affected by the Business Plan which, on the contrary, will improve housing circumstances through the procurement of new homes and the improvement, adaptation and, where appropriate, conversion of existing homes. The Business Plan recognises the changing demographics of South Kesteven; not least in terms of the ageing population, the increasing proportion of households requiring homes with fewer bedrooms and a smaller but significant requirement for homes with four or more bedrooms.

#### **8. CRIME AND DISORDER IMPLICATIONS**

There are no implications arising directly from the Plan: however, the design, layout and maintenance of housing, all of which may be beneficially impacted

by the Business Plan, can contribute positively to greater dwelling security and to reduced crime and anti-social behaviour.

## **9. COMMENTS OF FINANCIAL SERVICES**

The HRA currently has a 30 year financial business plan that demonstrates the financial viability over the period. The proposed business plan introduces a number of opportunities that will include significant investment in new homes. More detailed modelling will be carried out to support decision making on specific schemes as these come forward.

## **10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

The provision of a HRA business plan (the Plan) is a requirement of s.88 of the Local Government Act 2003. The purpose of the Plan is to set out the actions to be taken in line with relevant strategies and budget available to show that the Council will continue to deliver housing services which are fit for purpose.

## **11. COMMENTS OF OTHER RELEVANT SERVICES**

**Head of Community Assets:** The Business Plan takes full account of the Council's Asset Management Strategy.

## **12. APPENDICES:**

The draft Housing Revenue Account Business Plan 2014-2019