

# REPORT TO CABINET

## REPORT OF: DIRECTOR OF TENANCY SERVICES

REPORT NO: TSE41

DATE: 4<sup>th</sup> January 2010

<b>TITLE:</b>	<b>HOUSING REVENUE ACCOUNT BUSINESS PLAN</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Key Decision	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Councillor Paul Carpenter, portfolio holder for Housing and Organisational Development	
<b>CONTACT OFFICER:</b>	Ian Yates/Jane Booth	
<b>INITIAL IMPACT ASSESSMENT:</b>  <b>Equality and Diversity</b>	Tenancy Services has carried out service wide equality impact assessments, so an individual assessment of the Business Plan is not required.	Full impact assessment Required:  No
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Local Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>		

### 1. RECOMMENDATIONS

Cabinet are recommended to:

- a) approve the Housing Revenue Account (HRA) Business Plan for consultation through the District Wide Tenants Panel and Housing Consultative Group;
- b) delegate authority to the Portfolio Holder to approve any amendments to the Business Plan following this consultation
- c) require any major amendments to be reported back to Cabinet for approval.

### 2. PURPOSE OF THE REPORT

The council is required to have an HRA Business Plan in order to give a clear strategic steer to the housing landlord service, ensuring that it supports the council's priority themes, the wider Housing Strategy and the Sustainable Communities Strategy.

The housing service is often regarded as a being a 'social business' and like any business it must be able to operate within its income and expenditure levels. The Business Plan forecasts the services' income and expenditure levels over a 30 year period and comments on its financial viability, in revenue and capital terms, over the period.

The Business Plan is therefore a key document for the council and the housing service which requires formal approval by Cabinet.

### 3. DETAILS OF REPORT

The HRA Business Plan is attached at Appendix A. The Business Plan is structured to outline:

- Contextual information on the District and the housing service
- The strategic context within which the Business Plan is framed
- The ways in which tenants views have informed the development of the Business Plan
- The very detailed information we now have about our stock, the Decent Homes Standard (DHS) compliance and the resources required to ensure that we meet and maintain properties to the DHS
- Information about how we manage performance in the housing service and how it compares to other social housing landlords
- The resources projected to be available to the service to support its revenue and capital expenditure
- The services key priorities and action plans
- Options for the future management of the service and how these will be kept under review
- The progress made against previous improvement plans
- A summary of the financial analysis of the resources needed to ensure that our stock is maintained at the DHS.

There are two key issues which impacted on the Business Plan. Firstly, the analysis of the stock condition information has now progressed to the stage where we have a very detailed knowledge of our stock, the reasons for properties failing the DHS and the resources needed to tackle DHS failures. This detailed information has only just recently become available to us and has been fed into the Asset Management plan and the Business plan.

The second key influence is the review of the national HRA Subsidy System. As Cabinet members know, the review of the system proposes that councils will be free to keep all rents and capital receipts locally in return for them taking on a proportion of the existing council housing debt, which is estimated to stand at £18 billion. Under these proposals the council would retain (at current figures) an extra £6.7M rent income but would take on an, as yet unknown, amount of debt.

These proposals for the reform of the subsidy system may of course change after the general election next year and all of the main political parties have stated that they wish to reform the system. Whatever changes are made, they will have an impact on the financial resources available to the housing service. For this reason, one of the key actions within the Business Plan is review the financial basis for the service when the details of the revised subsidy system are known.

Section 3 of the Business Plan explains how tenant's views have influenced the improvement plans within the Business plan. Due to the tight timescales we have been working to following the financial analysis of the stock condition data, it has not been possible to consult with the District Wide Tenants Panel and the Housing Consultative Group on the Business Plan prior to the Cabinet meeting. It is therefore recommended that, following Cabinets consideration of the Business Plan, it is subject to consultation with these groups, with any subsequent amendments being authorised by the Portfolio Holder.

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

The option of not updating the Business Plan was considered but ruled out because it is not possible to effectively manage the housing service without a detailed knowledge of the income it will have and the costs required to manage and maintain the stock.

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

These are detailed in the Business Plan.

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

Not applicable.

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

Not applicable.

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

Not applicable.

#### **9. COMMENTS OF SECTION 151 OFFICER**

The HRA business plan is an extremely important document and clearly sets out the strategic direction of the delivery of the HRA service. The business plan is underpinned by the 30 year financial model which has been undertaken for both the income and expenditure and the capital spending proposals. The details of the modelling are contained in the business plan and provide the framework in which the medium term financial planning can be undertaken. Cabinet is reminded that there is currently a national review of the housing subsidy regime which could have a significant impact on the financial model. Once the outcome of this review is known then I would recommend that the model is updated accordingly.

In respect of the capital programming the model has been updated with the findings of the 100% stock condition analysis work. Three financial scenarios have been modelled which were:

- 'smoothing' of the capital spending over the 30 year profile – this would reduce the identified capital spending for 2010/11 and would not achieve 'decent homes' standard by the target deadline of December 2010
- The actual SCS findings based on achieving and maintaining decent homes over the 30 years – however this gives a large variation in the annual expenditure which would prove difficult to manage from both a financing and delivery perspective.
- The 3<sup>rd</sup> scenario (which is proposed in the business plan) is to include a capital programme for 2010/11 which will include sufficient resources for decent homes to be achieved in 2010/11. Thereafter the programme will be evenly allocated (in five yearly blocks) over the future years. This will enable the spending programmes to be efficiently procured and delivered within the context of resource capacity.

However it should be noted that the overall financing of the capital programme will become extremely challenging in the medium term and the spending plans will need to be scaled downwards to bring it in line with the financing resources available. This may compromise the Council's on-going ability to maintain decent homes standard. Further detailed work will need to be undertaken to determine the most suitable way of compiling the capital programme within the financial constraints. The HRA capital programme will be presented to Cabinet as part of the budget proposals at their meeting on 1 February 2010.

## **10. COMMENTS OF MONITORING OFFICER**

It is a statutory requirement under Part 7 of the Local Government Act 2003 to prepare a Housing Strategy Statement and Housing Revenue Account (HRA) Business Plan. Consequently, this Council is legally obliged to have a HRA Business Plan that sets out the Business Plan for the Council's landlord housing service over a 30-year period.

It is important when Compiling the Business Plan that adequate consultation is undertaken.

## **11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER**

N/A