

## **Report to Housing Scrutiny Panel**

**Date of meeting: 24<sup>th</sup> March 2011**

**Portfolio: Housing – Cllr D. Stallan**

**Subject: Housing Revenue Account (HRA)  
Business Plan 2011-12**

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### **Recommendations/Decisions Required:**

**That the Housing Revenue Account (HRA) Business Plan 2011/12, incorporating the HRA Financial Plan and the Repairs and Maintenance Business Plan 2011/12 (attached as an Appendix to this report), be recommended to the Housing Portfolio Holder for adoption.**

### **Background**

1. The Government's Communities and Local Government (DCLG) requires all local authorities to produce annual Business Plans for their Housing Revenue Accounts (HRAs). The CLG's intention is to ensure that local authority housing is used and maintained to maximum effect. HRA Business Plans deal with councils' plans and performance for the delivery and quality of its housing services to tenants. Detailed guidance was issued by the former ODPM (the predecessor to the CLG), which prescribes the form in which business plans must be produced, and includes the requirement for clear repair and maintenance strategies to be set out and, ideally, for detailed financial forecasts to be produced for thirty years hence.
2. In 2003, the Council's Housing Revenue Account (HRA) Business Plan was assessed by the Government Office as fully "fit for purpose". For a Business Plan to be designated as "fit for purpose", it has to meet stringent "fit for purpose" criteria laid down by the ODPM/CLG.

### **HRA Business Plan 2011/12**

3. The latest draft HRA Business Plan 2011/12 is attached. The Council's Audit and Governance Committee requires that all of the Council's Business Plans are completed and published by 31 March each year. Therefore, all the statistics and information within the Business Plan relating to the "last financial year", and the most up to date information, relates to 2008/9, which is the last year that full year statistics are available.
4. The development of the Business Plan and the main changes this year include:
  - Updated statistics for 2009/10
  - General updated information throughout the Business Plan to ensure that it remains current
  - Updated summary of key activities and achievements in 2010/11 (Section 3.5)
  - Updated Corporate Medium Term Aims (Section 3.1)

- Updated Key Housing Priorities (Section 3.6)
- Information on the Government's proposals for affordable housing, within the CLG's Consultation Paper on "Local Decisions – a fairer future for social housing" (Section 4.15)
- Information on the effects of Essex County Council's significant reductions in Supporting People funding for local authorities in Essex (Section 4.9)
- Information on the Housing Directorate's Customer Service Excellence Award (Section 5.1)
- Updated information on the amount of value for money efficiencies being secured by the Housing Directorate (Section 6.5)
- Updated Housing Risk Register (Section 10.4)
- Information on the Government's introduction of HRA Self-Financing – to replace the current Housing Subsidy System (Chapter 11)
- Completely updated Financial Plan (based on the new self-financing system and including the effects of the transfer of commercial properties from the HRA to the General Fund – See Section 1.6 below) (Chapter 11) – **See below**
- New Key Action Plan (Chapter 13)
- An updated Repairs & Maintenance Business Plan (Appendix 1) – **See below**
- An updated Plain English Summary, incorporating the above changes

### **Financial Plan 2011/12**

5. As members will be aware the Government has announced that it will completely change the way that Council housing is funded. For many years, the Government has operated a Housing Subsidy System, which is generally accepted to be a complicated and unfair system.

6. In simple terms, under the Housing Subsidy System, the Government assesses each year how much each council needs to spend on its housing service over the next year. It then calculates how much each council will receive from rents, assuming a "Government Guideline Rent Increase". If this results in a deficit, it pays a subsidy to the council. However, if it results in a surplus, the Government requires a payment **from** the council. This is called "negative subsidy". Next year, the Council will pay around £11.3 million to the Government, funded from tenants' rents.

7. The Government has stated that, from April 2012, it will introduce a new funding system called "self-financing". Under this system, the Government has assessed how much financial support each council needs to run its housing service over the next 30 years; this is the difference between the assumed cost of running the housing service and the expected income from rents.

8. The Government has then compared this amount to how much housing debt each council has accrued. The Government has then added together the amount of financial support each council needs to the amount of debt (if any) that each council has accrued. The Government will then pay this amount to those councils it thinks it needs financial help, which will enable them to pay off their housing debt.

9. However, if the amount of financial support the Government thinks a council needs is less than its housing debt, the council must make a payment to the Government for the difference. These councils will need to take out a loan to fund the payment to the Government, which they will repay over a number of years from tenants' rents.

10. For the Council, the Government has assessed that there will be a surplus of income from tenants' rents over the next 30 years, after taking into account the assumed costs of running the Council's housing service. In addition, the Council does not currently have any housing debt. Therefore, the Government has assessed that the Council must make a payment of around £180 million to the Government in April 2012.

11. Because of these changes, the Financial Plan Chapter has been completely re-written, with the assistance of the Council's Business Plan consultants CIHConsult. The Financial Plan within the HRA Business Plan is based primarily on the Council's financial position under the new self-financing regime proposals for HRA reform. Crucially, this has established that, with implementation due in April 2012, and a debt allocation to the Council of £180m, the HRA remains viable in all contexts - and demonstrates that complete debt repayment could be made within 17 years, based on the assumptions contained within this Financial Plan.

12. However, the Financial Plan is provided for illustration purposes only at this stage, since the detailed consideration of the Council's treasury management of the HRA over the next 12 months is likely to have a major effect on the actual cash flow, over the life of the Financial Plan. The Council's Finance and Performance Management Cabinet Committee will be considering this issue over the coming months, and the Financial Plan will be developed further through the year, with greater analysis of the housing stock's demands above those assumed within the Plan, in order to inform a future strategy to prepare for the implementation of self-financing and any accounting amendments.

13. For comparison purposes, CIHConsult has also modelled the Financial Plan separately - based on the position if the current Housing Subsidy System was to remain; this demonstrates that the HRA would only be viable for 9 years, taking account of the transfer of commercial properties from the HRA to the General Fund from April 2011 and based on a reduced investment programme compared to previous projections.

#### **Repairs and Maintenance Business Plan 2011/12**

14. Another important part of the HRA Business Plan relates to the Council's objectives, strategies and plans relating to the repair and maintenance of the Council's housing stock over the next 30 years. This includes the Council's plans to ensure that the Council continues to meet the Government's decent homes standard, and the proposals for the appointment of a private repairs management contractor, under the Council's Housing Repairs Refresh Programme. As in previous years, the Repairs and Maintenance Business Plan forms Appendix 1 to the main HRA Business Plan.

#### **Scrutiny Panel**

15. The Scrutiny Panel is asked to consider and recommend the HRA Business Plan 2011/12, incorporating the Repairs and Maintenance Business Plan, to the Housing Portfolio Holder for adoption.

16. The draft HRA Business Plan is also due to be discussed by the Tenants and Leaseholders Federation at their meeting on 29 March 2010.