

**Committee: Housing Board**

**Agenda Item**

**Date: 13<sup>th</sup> November 2014**

**7**

**Title: HRA Business Plan Financial Review**

**Portfolio Holder: Roz Millership, Assistant Director Housing and Environmental Services**      Key decision: **No**

## Summary

1. This report provides an opportunity to consider whether there are any material changes which need to be incorporated in year, into the financial planning for the HRA in advance of the 2015/16 budget setting process.

## Recommendations

2. That the Housing Board:
  - a. Note the contents of this report.

## Financial Implications

3. The latest scheme appraisal costs have been incorporated into the financial models. These costs will still not be the finally agreed contractual sums that the authority enters into in all cases, but will ensure that the most up to date data is being utilised.
4. The Indicative costs for the development schemes have been calculated, but will be subject to value management as proposals are developed in greater detail. The final cost will be known following the tender process for the selection of a building contractor.

## Background Papers

5. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

- HRA Business Plan 2012

6.

Communication/Consultation	Tenants and Members
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A

Sustainability	N/A
Ward-specific impacts	All
Workforce/Workplace	Housing and Environmental Health

## Situation

7. Changes to housing finance and the way the HRA operates were implemented by the Government to devolve housing investment decisions to a local level. Since the changes the council has been able to make key decisions on rents and expenditure at a local level.
8. The new arrangements allowed significant resources to be invested in the stock/new development.
9. As the HRA is now more exposed to changes in interest rates, high inflation and the financial impact of falling stock numbers there has been an increased focus on risk management including maintaining income and controlling costs.
10. All these issues are reviewed as part of the annual update work when each year a light touch review is carried out to update the action plan and the financial model and test the resilience of the plan to deliver the council's objectives.
11. Attached is a copy of the Housing Revenue Account (HRA) financial review. This document should be read in conjunction with the original HRA 30 year Business Plan approved in March 2012, which sets the scene for the current financial environment.
12. The review includes the estimated costs of future projects. When reviewing new projects a desktop feasibility is undertaken to ensure resources are used effectively and efficiently.
13. Since the original plan was approved a number of factors have changed with potential impact on the delivery of the action plan. These include:
  - An increase in the level of Right to Buy sales from the housing stock
  - The implementation of Welfare Benefit Reform with potential implications for rental income
  - Changes to rent convergence arrangements
  - Increase in construction costs
14. Based on current financial assumptions expenditure plans can be met. These include:
  - The management and maintenance of the stock
  - Payment of debt
  - Investment in the stock
  - Delivery of regeneration and new affordable housing
  - Re-modelling of sheltered schemes

15. A full re-write of the business plan will be undertaken in this financial year and progress will be reported to the next Housing Board.

## Risk Analysis

16.

Risk	Likelihood	Impact	Mitigating actions
HRA Debt Settlement could be re-opened by Government	2 Possibility if council's do not demonstrate that they are delivering improvements	3 less financial resources	The Council has processes in place to manage the demands of local and national housing agendas
High construction costs	3 New build option has high costs	3 Scheme unviable	Value management to be undertaken throughout design process
The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets	3 construction costs increasing	3 schemes unviable	Officers use medium and long-term modelling (up to 30 years) for HRA, to ensure decisions are made in the knowledge of long-term deliverability issues / implications
Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms	2 introduction of Universal Credit will have implications on rent collection	3 Income needs to be maintained to ensure schemes are delivered	Increased resources identified for income management. Performance closely monitored to allow further positive action if required

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.