

Committee: Housing Board

Agenda Item

Date: 9 December 2015

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Title: HRA Business Plan 2016 – 2046

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Summary

1. The 30 year HRA Business Plan has been reviewed and updated to reflect the current regulatory and economic climate, and builds on the 2015-16 HRA budget and Medium Term Financial Strategy (MTFS)

Recommendations

2. That the Housing Board notes the report and recommends to Cabinet the adoption of the HRA Business Plan 2016-46.

Financial Implications

3. The Financial implications are contained within the body of the report.
4. Regular review of the HRA Business Plan is essential to ensure short, medium and long term viability of the plan.

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
 - MTFS
 - HRA Revenue and Capital programme 2015 - 2045

6.

Communication/Consultation	Members, tenants, all partner agencies and public consultation via the website
Community Safety	N/A
Equalities	Equality impact assessment has been completed on the HRA business plan
Health and Safety	N/A
Human Rights/Legal Implications	N/A

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

Situation

7. The updated HRA business plan has been developed from the previous business plan approved in 2012.
8. Major changes have occurred since 2012 in relation to assumptions within the original Business Plan.
9. The updated business plan reflects current thinking about areas such as general inflation, national rental policy, Right-to-Buy (RTB) sales, works cost inflation, and interest rates.
10. In both the Welfare Reform & Housing Bills there have been a number of proposals and statements which could have a significant impact on the Council's HRA, both immediately and in the longer term.
11. For example the Government's proposed new 4 year rent policy will result in a funding gap of £1.8m over the next 4 years.
12. Whilst much of the detail and legislation is yet to be finalised, officers have been working to try and estimate some of the impact on the Business Plan and what actions are needed in terms of mitigation and reviewing assumptions within the Business Plan.
13. An updated version of the HRA business plan model has been produced which uses the current budgets for 2015/16 and also the five year medium term forecast for projecting expenditure and income forward whilst adding general RPI (inflation) increases. It takes into account all estimated investment, repairs and management costs required over the next 30 years, assuming compliance with national rent policy, and taking account of a continued high level of sales under the Right-to-Buy scheme.
14. The plan assumes for a modest development programme from 2021. If RTB sales continue to escalate beyond those estimated in the business plan additional finances will be required to ensure the 1 for 1 replacement programme can be achieved. No allowance has been made in the business plan for larger building or re-furbishing projects beyond 2021. If members wish to see a continuation of the re-development projects beyond 2021 options to finance these projects will need to be explored.

Summary

15. The business plan provides the framework within which the council would expect future budgets to be set, subject to changes in underlying assumptions and/or government or council policy, and gives an indication of the level of resources likely to

be available to deliver new initiatives, build new housing, regenerate estates and potentially repay debt, should this be felt to be an appropriate course of action

16. Based on current financial assumptions the business plan demonstrates that expenditure proposals 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

Risk Analysis

17.

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
Higher construction costs than estimated	3 Construction costs escalating in the region	3 Schemes become 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 uncertainty around the continuing rise in contractor/ construction costs	3 schemes become 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 an impact 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
Enforced sales of	2 Government	4 at least 45%	Lobby Government to

voids	proposal – though it seems likely that regional figures may be adjusted	of the council's properties will fall into this definition	adjust regional figures
Introduction of Pay to Stay	2 Government proposal	3 High cost of administration Increase in arrears Increase in RTB	Increased resources will need to be identified to administer the scheme

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.