



## AGENDA ITEM: 13

### SUMMARY

<b>Report for:</b>	<b>Cabinet</b>
<b>Date of meeting:</b>	<b>29<sup>th</sup> May 2012</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Dacorum Borough Council Housing Revenue Account Business Plan</b>
Contact:	<p>Cllr Margaret Griffiths, Portfolio Holder for Housing</p> <p><b>Author/Responsible Officer</b> Elliott Brooks ,Assistant Director, Housing Landlord</p> <p><b>Contributors</b>            James Deane – GM Financial Services            Fiona Williamson – GM Property &amp; Place            Mark Gaynor – Corporate Director Housing &amp; Regeneration</p>
Purpose of report:	It is a requirement under ‘Self Financing’ for authorities to publish a Housing Revenue Account Business Plan. This report introduces the Dacorum Borough Council Housing Revenue Account Business Plan.
Recommendations	To note and approve the Housing Revenue Account Business Plan
Corporate objectives:	Affordable Housing Dacorum Delivers Regeneration
Implications:	<u>Financial</u> The Financial Implications of the Housing Revenue Account Business Plan have been considered in the 2012/13 Budget Papers 7 <sup>TH</sup> February 2012 Cabinet & the Self Financing Report 27 <sup>th</sup> March 2012 Cabinet.
‘Value For Money Implications’	<u>Value for Money</u> Close monitoring on a monthly and quarterly basis of the Business Plan by both Finance & Housing Officers and a

	formal annual review will ensure value for money is derived from the Council's HRA Business Plan
Risk Implications	Appendix C of the HRA Business Plan covers specific identified risks. The Housing Landlord Service Risk Register is reviewed quarterly
Equalities Implications	Relevant Equality Impact Assessment/s reviewed
Health And Safety Implications	none
Monitoring Officer/S.151 Officer Comments	<p><b>Monitoring Officer:</b> The Localism Act 2011 made provision for the end of the current subsidy system and the introduction of a new system of self-financing. Self-financing came into force on the 1<sup>st</sup> April 2012. This business plan sets out the Council's 30 year financial model of income, expenditure and debt as a result of the new self-financing system and enables the Housing Revenue Account to be monitored and effectively managed.</p> <p><b>S.151 Officer</b> It is essential that Finance and Housing officers continue to work closely on the development of the business plan in order to ensure that the Council is in a position to deliver its housing priorities within a framework of good financial governance.</p> <p>In order for the plan to remain an effective decision-making tool for Members, assumptions will be regularly reviewed and updated through the existing budget management process.</p> <p>Over the coming weeks officers must focus on 2 clear objectives:</p> <ul style="list-style-type: none"> <li>• Ensuring that the plan is updated to capture the risks arising from government changes to the Right to Buy (RTB) legislation; and,</li> <li>• In light of any RTB changes, determining the most effective strategic use of the surplus funds generated from securing a lower interest rate for the £354m debt than the prudent rate assumed in the plan prior to the booking of the loan.</li> </ul>
Consultees:	<p>Dacorum Tenants &amp; Leaseholders</p> <p>Dacorum Borough Council Tenants &amp; Leaseholder Committee</p> <p>Dacorum Borough Council Maintenance Focus Group</p> <p>Chartered Institute of Housing</p> <p>Dacorum Borough Council Housing &amp; Communities Overview &amp; Scrutiny Committee</p>

Background papers:	14/12/10 Cabinet – The Future of the Councils Housing Stock 29/3/11 Cabinet – Housing Services – The Way Forward 13/9/11 Cabinet – Housing Self Financing 13/12/11 Cabinet – Housing Self Financing 7/2/12 Cabinet – 2012/13 Budget Papers 27/3/12 Cabinet – Self Financing , The Loan Portfolio
Glossary of acronyms and any other abbreviations used in this report:	HRA – Housing Revenue Account BP – Business Plan DBC – Dacorum Borough Council

### **1. Background**

In January 2011 Dacorum Borough Council took the decision to retain its housing stock rather than proceed with a potential transfer of stock.

This decision meant that as of April 2012 the way in which Dacorum Council's Housing Revenue account was funded and managed changed from the 'subsidy' system to 'self-financing'

### **2. Housing Revenue Account Subsidy System**

Until April 2012, the system for financing Council Housing was the national 'subsidy system' whereby a Council in the position of Dacorum Borough Council would pay what it was deemed as excess rent received into a central pot for other councils to be subsidised (often referred to as 'negative subsidy'). In 2011/12 Dacorum Borough Council paid £20million into the pot. It has long been argued by many Council's that the system is unfair and if it were to continue we would not be able to fund the investment programme required to maintain our stock.

### **3. Self-Financing**

The Government has introduced a change, referred to as 'Self-Financing' and from April 2012 the Council will now keep all of its rental income from Council Housing, will no longer pay negative subsidy to the government, but will have to service its share of national housing debt based on a valuation of the council's housing business. The Government's Self Financing Determination confirmed that the value of Dacorum's housing business is £354,015,000 and the necessary borrowing was arranged as from 28 March 2012 to pay Government and release Dacorum Borough Council from the subsidy system.

The self-financing system will allow far greater certainty in financial planning and the ability to plan investment as well as respond to tenant priorities, but also requires greater expertise in Treasury Management.

#### **4. Dacorum Borough Council Housing Revenue Account Business Plan**

In preparing the HRA Business Plan (HRA BP) over 30 years there has been an opportunity to be strategic for the first time. It has been possible, and essential, to not only consider the existing housing stock, but also wider issues such as community development, new build opportunities and the general facilities available and environment in which our tenants and leaseholders live.

The HRA BP and many of the key assumptions have been agreed over several months following work with members of the Council's Cabinet, a sub-group of the Tenants & Leaseholders Committee and taking external advice from the Chartered Institute of Housing and Sector.

The HRA BP encompasses both the financial and service related objectives. The longer term perspective is crucial to ensure that the service and its primary assets, - the housing stock, can be 'fit for purpose' for the whole period (and beyond). Previous reports to Cabinet (March, September and December 2011) have set out key principles and considerations, which have been approved for incorporation into the HRA BP.

The HRA BP presumes the repayment of the initial debt by the end of year 30 as approved by Cabinet 27<sup>th</sup> March 2012.

The HRA BP is attached as Appendix A. It is recommended that the plan be noted and approved.

#### **Appendix A – DBC Housing Revenue Account Business Plan**