



Agenda item: 10

Summary

Report for:	Housing & Communities Overview and Scrutiny Committee
Date of meeting:	11th November 2015
Part:	1
If Part II, reason:	

Title of report:	Annual Review of Housing Revenue Account Business Plan 2015/16
Contact:	Cllr Margaret Griffiths, Portfolio Holder for Housing Author/Responsible Officer – Elliott Brooks, Assistant Director - Housing
Purpose of report:	1. To update the Committee on the annual review of the HRA Business Plan
Recommendations	1. That the committee note the report and draft HRA Business Plan and provide any comments
Corporate objectives:	Affordable Housing
Implications:	<u>Financial</u>
'Value for money' implications	Regular review of the Council's HRA Business Plan is essential to ensure short, medium and long term viability of the plan.
Risk implications	Monitoring of the HRA Business Plan has been identified as a Key Risk of the Housing Service and is reported to the Council's Housing & Communities Overview & Scrutiny Committee on a quarterly basis
Community Impact	The Housing Revenue Account is a 'ring fenced' account for the income and expenditure solely related to the Council's

Assessment	housing stock, tenants and leaseholders.
Health and safety Implications	Health & Safety is identified as a Key Service Risk for Housing and therefore reported to the Council's Housing & Community Overview & Scrutiny Committee on a quarterly basis
Consultees:	Mark Gaynor – Corporate Director, Housing & Regeneration James Deane – Corporate Director... David Skinner – Assistant Director – Finance & Resources Fiona Williamson – Group Manager Property & Place Andy Vincent – Group Manager Tenants & Leaseholders Julia Hedger – Group Manager Housing Development Richard Baker – Group Manager Financial Services DBC Tenants & Leaseholders Committee
Background papers:	n/a
Historical background	See Background below:
Glossary of acronyms and any other abbreviations used in this report:	HRA – Housing Revenue Account BP – Business Plan TLC – Tenants & Leaseholders Committee RTB – Right to Buy

1. Background

1.1 In April 2012 the Council agreed its first 30 year Housing Revenue Account (HRA) Business Plan. It was a requirement following the introduction of Self Financing (replacing the HRA Housing Subsidy System).

1.2 This report details the third annual review of the HRA Business Plan and explains the issues and assumptions which have needed to be considered or re-visited.

2. Housing Revenue Account Business Plan

2.1 The resources available following the move to Self Financing gave the Council the opportunity to be strategic in its approach to its housing stock for the first time. It was possible, and essential, to not only consider the existing housing stock, but also wider issues such as community development, improving the environment and the potential to build new Council homes to address the increasing demand for affordable housing.

2.2 The Business Plan not only concentrates on the financial related strategy and objectives, but also the service priorities of the Council's Landlord function to its tenants and leaseholders. The longer term perspective is crucial to ensure that the service and its primary assets, the housing stock, are fit for purpose for the whole period and beyond.

3. Performance of the 2014/15 Business Plan

3.1 As would be expected within such a complex budget as the Housing Revenue Account there were various areas of overspend and underspend throughout 2014/15. These were regularly reported to the Council's Corporate Management Team and its Cabinet and Scrutiny Committees on a quarterly basis. The Council's TLC was also given budget updates at the mid-year point and end of year.

- There was an underspend in the Repairs & Maintenance budget of £1.3m. The underspend was predominantly down to savings being made against the Osborne contract through the open book audit.
- A saving of £1.2m in the Improvement Programme on existing stock, again due to savings being made against the Osborne contract through the open book audit which has been re-allocated to new schemes for 2015/16.
- RTB sales continued to remain at a high with 104 sales completed in 14/15 generating a capital receipt of £11.7m (only a proportion of this available to HRA)

3.2 In terms of tangible outcomes that benefit our tenants directly the table below demonstrates how the Council has been able to improve the homes in which tenants live since the introduction of the Business Plan.

Improvement Works	2011/12	2012/2013	2013/2014	2014/15
Kitchen Renewal	196	456	721	433
Bathroom Renewal	192	426	529	327
Re-Wire	250	605	784	411
New Doors (front/rear)	532	1935	3480	2568

Note: 2014/15 capital works programme was a 9 month programme due to the Osborne Total Asset Management Contract starting July 1st 2014 (and the 2013/14 programme used 15 months worth of funding). The previous capital works programmed ceased March 2014.

- 3.4 The Council has also been able to continue its programme to build new homes in the borough for the first time in over 20 years.
- 3.5 During 2014/15 34 new homes have completed and allocated to local residents in the borough. The New Build Programme is subject to a report on the agenda of the Council's Cabinet November 2015.

4. Considerations for year 3 HRA Business Plan Review

4.1 Government Policy & Proposals.

- 4.1.1 In the recent Budget and both the Welfare Reform & Housing Bills there have been a number of proposals and statements which will have a significant impact on the Council's Housing Revenue Account, both immediately and in the longer term.
- 4.1.2 Whilst much of the detail and legislation is not yet 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.

4.2 Social Rent Reductions

4.2.1 All social rents are to be reduced by 15 each year for 4 years starting in April 2016. The Council's current policy is that rents increase each year by CPI + 1%.

4.2.2 It is expected that Council rents not yet at target will also be subject to the annual 1% reduction. The table below demonstrates the potential impact on the rental income for Dacorum Borough Council's HRA:

Year	Rent roll if current policy in place	Rent roll with 1% annual reduction	Variance
	£'000	£'000	£'000
2016/17	59,159	56,130	3,030
2017/18	61,660	55,615	6,045
2018/19	64,659	55,612	9,048
2019/20	67,371	55,331	12,040
Total – 4 Year	252,850	222,687	30,162
30 Year	3,109,977	2,549,353	560,624

4.2.3 The 4 year impact is a reduction in rental income of approximately £30m.

4.2.4 Rental income assumptions within the Council's 2015/16 Business Plan reflect the figures above. From years 5 to 30 rental income has been assumed with the policy reverting to CPI +1% without convergence.

4.3 Fairer Rents in Social Housing: Pay to Stay

4.3.1 Social housing tenants with household incomes of £40,000 and above in London, and £30,000 and above in the rest of England will be required to pay a level of rent either at market level or close to. It is proposed that data is provided by HMRC to social landlords for the purpose of determining income. Local Authorities will be required to pay any additional rental income to the Treasury based on an estimate number, with a deduction for any administration costs incurred. This policy is current subject to consultation and the Council will be responding. The proposal is that it would start 2017/18.

4.3.2 It is difficult to predict the impact of this policy. The Chartered Institute of Housing predict an increase in RTB's and surrenders of tenancies.

4.4 Sale of High Value Council Voids

4.4.1 The RTB is to be introduced to Housing Association tenants. It was announced recently that Housing Associations will voluntarily extend the RTB to their tenants through the National Housing Federation's agreement with the Government.

4.4.2 It is proposed that this is funded by the sale of high value Council housing stock.

- 4.4.3 This will not be a local system. Receipts will be collected centrally and then flow out again. Whilst the principles were set out in the Housing Bill, operational detail will follow through secondary legislation.
- 4.4.4 There are two options currently under consideration:
- Actual sale of high value homes or
 - A formula approach.
- 4.4.5 A formula approach would effectively be a tax on voids anticipated throughout the year. An amount would be calculated and paid annually to government based upon a formula that included property values, number of bedrooms, churn rate etc.
- 4.4.6 Until more detail is known regarding the expected receipt from Dacorum Borough Council it is difficult to make accurate assumptions. The most likely outcome would be the sale of a number of void properties for a defined period resulting in less rental income going forward (and a reduction in the ability to meet housing need). It is unclear whether there will be any receipt retained by the Council, or the amount required reduced to reflect the outstanding debt on each property.

4.5 Increased Development Costs

- 4.5.1 Original assumptions within the HRA Business Plan made provision for future new build costs at the then market costs. These build costs have increased as a result of the backdrop of a rising market. Information collated from the market and from the Council's recent tenders have resulted in the assumptions for future schemes increasing.

4.6 Service Priorities

- 4.6.1 Social Housing is changing. The service is having to deal with more complex tenancy issues and these often require intense resources both in terms of officer time and investment in the stock to solve.
- 4.6.2 The Housing Service will need to be able to adapt and divert resources where they are needed dependant on a number of external factors. Two areas identified as a growing priority are Tenancy Sustainment & Homelessness.
- 4.6.3 Tenancy Sustainment
- 4.6.3i It has been recognised that the success or failure of a tenancy, particularly of a vulnerable person, can often be heavily influenced by the property they live in and the support that the landlord can give. This was recognised by the Council and approximately a year ago a Tenancy sustainment team was created. It was mainly from existing resources pulled from other teams (income / repairs / tenancy management).
- 4.6.3ii This has allowed a relatively small number of tenants to receive intense work from the housing team in order to successfully sustain their tenancy. A failed tenancy costs the Council several thousands of pounds so the success of this team will ultimately save money for re-investment in the housing stock.

4.6.4 Challenges relating to homelessness

- 4.6.4i The Council is seeing increasing numbers of people both seeking general housing advice and those presenting themselves as homeless. Using September 2015 as reference point both numbers have more than doubled and the housing register increases at a rate of approximately 50 per month. (current figure over 5500 active applicants). Whilst this area of the service is strictly a General Fund function rather than that of the HRA there is a direct impact on the housing stock. More of the stock is being used for temporary accommodation and therefore can restrict transfers or movement within the stock for tenants to ensure families are living in appropriate sized accommodation.

5. 2015/2016 Housing Revenue Account Business Plan

- 5.1 The draft 2015/2016 HRA Business Plan can be found in Appendix 1 of this report. All areas of the plan have been reviewed in consultation with officers in the finance team as well as those across the Housing Service.
- 5.2 Appendix a of the Business Plan details a variety of assumptions which have been made with the knowledge and certainty currently available. They require constant review and if needed are altered mid year in advance of the formal annual review.
- 5.3 As explained in Section 4.2 the Government's proposed new 4 year rent policy will have a significant impact on the Business Plan. Measures have had to be taken in terms of the capital programme and new build programme as well as the option of additional borrowing.
- 5.4 Some of the main changes applied during the review are as follows:
- Rent policy altered to reflect 4 year rent reductions of 1% on all tenancies. Policy then reverts to CPI +1% (no convergence)
 - It is proposed that over the first 5 years of the Business Plan the Council will borrow the cumulative back up to the HRA debt cap - £9.8m
 - Housing Development Programme has been reduced. No New Build assumptions post 2020
 - Bad Debt provision increases five fold to take account of new HB restrictions and potential impact of Universal Credit

Recommendation

That the draft 2015/16 HRA Business Plan review is noted including changes detailed in Section 5 and the assumptions within Appendix a of the Business Plan.

