



Report for:	Cabinet
Date of meeting:	14th February 2017
Part:	Part I & Part II (appendix)
If Part II, reason:	The part II appendix to the report contains information relating to the financial and business affairs of the Council. Local Government Act 1972, Schedule 12A Part 1, paragraph 3

Title of report:	Housing Revenue Account Business Plan Annual Review 2016/17
Contact:	Margaret Griffiths, Portfolio Holder for Housing Elliott Brooks, Assistant Director for Housing
Purpose of report:	To update Cabinet on the Annual Review of the Council's Housing Revenue Account Business Plan
Recommendations	<ol style="list-style-type: none"> 1. That Cabinet recommends Council to approve the updated Housing Revenue Account Business Plan 2. That Cabinet recommends Council to approve the revised development programme budgets as set out in Section 6.3. and the budget for the Martindale Development in Appendix 2, in part II of this report
Corporate Objectives:	Delivering Affordable Housing
Implications:	<u>Financial</u> Regular review of the Council's Housing Revenue Account (HRA) Business Plan is essential to ensure short, medium and long term viability of the Business Plan
'Value For Money Implications'	<u>Value for Money</u> All contracts and services are tendered in line with the Council's procurement procedures to ensure Value for Money. The Council's Housing Landlord service annually compares running costs with other social landlords through 'Housemark' benchmarking data.
Risk Implications	Monitoring of the Housing Revenue Account 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.
Equalities Implications	The Housing Revenue Account is a 'ring fenced' account for income and expenditure solely related to the Council's housing stock, tenants and leaseholders.
Health And Safety Implications	Health & Safety is 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.
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer:</p> <p>No comments to add to the report.</p> <p>Deputy S.151 Officer:</p> <p>The Business plan sets of the key financial assumptions and the dependencies and will be reviewed on a dynamic basis to ensure that the assumptions remain valid and any exceptions are reported for consideration by Cabinet.</p> <p>The impact of the government proposals for the sale of high value properties will need to be analysed once details have been released and considered. Any material changes to the plan will be brought back for Cabinet consideration and if necessary the plan will be updated.</p> <p>The necessary Secretary of State approvals for the sale of market value properties will need to be built into the project plan for the delivery of the scheme at Martindale and if approval is rejected then the plan would need to be amended and brought back for consideration.</p>
Consultees:	<p>Mark Gaynor, Corporate Director of Housing & Regeneration</p> <p>James Deane, Corporate Director Finance & Operations</p> <p>Richard Baker, Group Manager, Financial Services</p> <p>Fiona Williamson, Group Manager Property & Place</p> <p>Julia Hedger, Group Manager Housing Development</p>
Background papers:	n/a
Glossary of acronyms and any other abbreviations used in this report:	<p>HRA - Housing Revenue Account</p> <p>TAM - Total Asset Management</p> <p>RTB – Right to Buy</p>

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). This report details the fourth 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 initially 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 attempt to address the increasing demand yet decreasing supply of social and 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 long 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 2015/16 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 2015/16. These were regularly reported to the Council's Corporate Management Team and its Cabinet and Scrutiny Committees on a quarterly basis
- 3.2 Some of the key variances included:
- Rental Income - £151k under budget. Income collection itself exceeded budget but there was an unbudgeted transfer required to the General Fund relating to rent from properties owned by the General Fund
 - Interest and Investment Income - £71k over budget
 - Repairs & Maintenance - £1.1m over budget
 - Supervision & Management - £141k under budget
 - Revenue Contribution to Capital - £481k under budget
- 3.3 In terms of tangible outcomes that benefit the Council's 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 HRA Business Plan. It should be noted that considerable catch up work has been achieved between 2012-15 and the levels of renewal required has fallen. This has allowed more roofing work and communal elements to be addressed.

Improvement Works	2012/13	2013/14	2014/15	2015/16
Kitchen Renewal	456	721	433	351
Bathroom Renewal	426	529	327	235
Re-Wire	605	784	411	252
New Doors	1935	3480	2568	1284

Boilers	770	963	782	782
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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 The total number of new homes completed and allocated to local people since the first HRA Business Plan is 76, with another 201 within approved schemes to be delivered over the next three years. Section 6.3 details how the Council is proposing to continue its development programme until 2021.

4. Considerations for year 4 HRA Business Plan Review

4.1 Government Policy & Proposals

4.1.1 In recent budget announcements and both the Welfare Reform Act 2016 and Housing & Planning Act 2016 there have been a number of changes or proposed changes that have or could have a significant impact on the HRA Business Plan both immediately and in the longer term.

4.2.1 Whilst not all of the detail has yet been provided by the government and some proposals have been dropped or significantly altered officers have been working to try and estimate 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 Social Rents will continue to reduce 1% each year for another 3 years. Those Council rents not yet at 'target' will also be subject to the 1% reduction. Rents for Sheltered Housing are also subject to the 1% decrease.

4.2.2 As detailed during the previous year's review of the HRA Business Plan the 1% rent reduction will have a negative impact on the income of approximately £33m over the 4 year period. This has reduced resources available to build new homes and invest in the current housing stock.

4.3 Sale of High Value Council Homes

4.3.1 This proposal, within the Housing & Planning Act 2016, for Local Authorities to sell its high value homes to in effect fund the Right To Buy (RTB) extension to Housing Associations is still in the planning stages. No detail has been provided to Local Authorities regarding potential start date, or receipts to be generated. The only statement has been to announce that it will not be implemented in 2017/18.

4.3.2 The HRA business plan currently assumes no payment or loss of stock related to this policy. Should detail be issued during 2017/18 the Business Plan will be reviewed and presented to the Council's Cabinet for approval.

4.4 Pay to Stay

4.4.1 During 2016 the government announced that the proposal to enforce Local Authorities to charge higher rents (up to 80% of market rent) for those

households earning in excess of £31,000 outside of London will not go forward. The Policy remains but at the discretion of Local Authorities. Dacorum Borough Council has no intention of implementing this policy.

4.5 Increased Development Costs

- 4.5.1 Over the 4 year period of the Business Plan being in place, the costs associated with delivering the new build schemes have gradually increased against the assumptions originally made (due to increases in construction costs and increased tender costs arising due to an overheating construction sector). This has caused a level of uncertainty when forecasting total costs of developments and requesting budget approval. A number of schemes have required additional budget to be approved at the point of contract award, each occasion resulting in the overall Business Plan and development funds being reviewed.
- 4.5.2 The year 4 review has taken this into account and made new assumptions regarding the cost per unit which it is felt has an element of flexibility and contingency. The proposed development programme for current schemes and future allocation of resources can be found in Section 6.3 of this report. The proposed development budget for Martindale site can be found in Appendix 2, part II of the report. (The scheme has not yet been subject to a tender process)

5. Additional Resources & Future Development proposals

- 5.1 During the review of the business plan, additional resources have been identified, mainly arising from two key issues.
- 5.2 Since the policy has been re-invigorated by the Government, there has been a high level of right to buy sales, averaging around 100 per year. This had previously been forecast to reduce quite rapidly over the first four years of the plan, but the reality is that this has shown no signs of slowing down. On this basis, the assumptions for the next four years of the plan have been increased to 100 RTB sales per year, reducing thereafter.
- 5.3 Another area which has increased resources is the application of 1-4-1 receipts from RTB sales (these can be applied to meet up to 30% of new build cost and land). The financial model used to inform the Business Plan has been enhanced this year to allow more detailed calculations to be undertaken, and this has identified that the 1-4-1 receipts had not been fully applied where they could be.
- 5.4 The additional resources available have been allocated towards the continuation of the new build programme, which will enable the additional delivery of around 100 homes in addition to the existing programme. Detailed plans on the delivery timeframes and annual budget requirement have yet to be completed, but an annual budget has been included for the years 2017/18 to 2020/21. This is shown in Section 6.3.
- 5.5 This will also enable the council to retain more of the 1-4-1 receipts generated.

- 5.6 The risk of right to buy sales being less than assumed is mitigated through the ability to reduce budgets on the additional new build expenditure that has been built into the business plan.
- 5.7 It is proposed to start identifying potential sites suitable for the development of new Council homes immediately. The Council will need to be innovative in its approach to site viability as the borough has a short supply of land for housing. Rooftop development on current blocks will be considered following the success of the recent Longlands project, as well as reconfiguration of existing stock. The Council will also consider developing its garage sites identified for sale.

6. 2016/2017 Housing Revenue Account Business Plan

- 6.1 The draft 2016/17 Business Plan can be found in Appendix 1. All areas of the plan have been reviewed by officers in both housing and finance. The approach taken is an attempt to create a less detailed more strategic document in line with the new style and format of other strategies and policies recently review or created within the Housing Service.
- 6.2 Appendix 1 of the plan itself details a number of financial assumptions which are required to enable a level of future financial planning. They have been made based on past and future trends along with the current knowledge of political and external factors. They are however subject to change and close monitoring throughout the year will ensure that if there is significant change this can be factored in and the impact reported as required depending on the significance.
- 6.3 As a result of the year 4 review the 2016/17 Business Plan reflects the current 30 year financial forecast for the Housing Revenue account and some of the key issues are as follows:
- Rents are subject to 1% reduction. This is the second year of a 4 year national policy.
 - Service charges and rent within flats will be 'de-pooled' from April 2017. This allows the Council to increase the service charge element at a reasonable annual rate which will mitigate some off the 1% rent reduction on those properties.
 - An increase in the assumed level of RTB sales based on the past two years has resulted in an increase in resources available for investment. This additional resource has been allocated to the provision of new homes (land and construction) over a 4 year period starting in 2017/2018. Close monitoring on a quarterly basis will be required to ensure that receipts generated are in line with financial assumptions.
 - The capital programme of investment in the current housing stock remains significant. The budgets in this area are to be approved within the Council's overall budget proposal for 2017/18. The forecast for the next five years is detailed within the table below. Each year would be subject to review and budget approval.

2016/17 (current Year)	2017/18	2018/19	2019/20	2020/21	2021/22
18.334m	18.062m	19.180m	17.855m	16.307m	17.759m

- The Council's New Build programme has been fully reviewed including schemes currently on site, those where a contract has been awarded but not yet started and those not yet awarded.

Scheme	2016/17 (current Year)	2017/18	2018/19	2019/20	2020/21
Farm Place	0.002m				
London Road	0.494m				
Queen Street	0.445m				
Woodhouse	0.174m	7.974m	3.860m		
*Martindale					
Stationers Place	0.529m	4.876m	0.430m		
Able House	1.770m	0.268m			
Swing Gate Lane	0.595m	1.866m	0.006m		
**General (land and construction)		6.415m	6.895m	6.758m	6.472m
Total					

*Martindale proposed costs in Appendix 2, part II of this report

** General New Build finances available subject to RTB receipts generated

7. Recommendations

- 7.1 That Cabinet recommends Council to approve the updated HRA Business Plan 2016/2017
- 7.2 That Cabinet recommends Council to approve the revised development programme budgets as set out in Section 6.3 and Appendix 2, part II of this report