

Executive

13 February 2020

Report of the Assistant Director for Housing & Community Safety
Portfolio of the Executive Member for Housing & Community Safety

**Update of the Housing Revenue Account (HRA) Business Plan and
Asset Management Strategy (AMS).**

Summary

1. The HRA Business Plan sets out the context for the income and expenditure decisions and the impact of those decisions on the HRA over a 30 year period, with a focus on the first 5 years. The AMS sets out the context for management of the assets within the HRA. These are the homes that the council owns and the land that they sit on. These documents have been revised with the emphasis on providing the broad context for more detailed strategies, investment programmes, plans and initiatives which are referenced within the two documents. The Council has a wider asset management strategy for all council assets which the AMS sits under and is currently being reviewed.
2. The main priorities of the plans and investment are:
 - Increase the stock of social housing owned by the HRA through an ambitious development programme
 - Develop new homes that are built to passivhaus standard, contributing to the Council's effort to ensure a carbon neutral city by 2030
 - Improve the quality of homes and communal areas and reduce the carbon footprint of existing council homes through investment in assets, community led regeneration and working with communities and individuals
 - Ensure that our homes, and the management of them, maintain and improve health and wellbeing outcomes for individuals,

families and communities alongside other Council services and partners

3. This report takes into account proposals being considered by Executive as part of the Capital Budget 2020/21 to 2024/25 and Financial Strategy 2020/21 to 2024/25 elsewhere on the agenda.

Recommendations

4. Executive is asked to:

- 1) Approve the revised HRA Business Plan (Annex A), revised financial projections (Annex B) and Asset Management Strategy (Annex C).

Note that a separate 'operational strategy' outlining what Housing Services do, how we will do it, what we want to achieve and the financial framework for this will be developed as part of our current change management programme.

Reason: So that the council has an updated business plan, asset management strategy for the Council's housing stock and 'operational strategy' for the services we provide, all of which will be published.

Background

5. The last full revision to the Housing Revenue Account (HRA) Business Plan was approved by the Executive in November 2017 with a further revision to the finances in February 2019 to reflect the inclusion of the £154m Housing Development Programme. An annual update of the Business Plan has previously been undertaken which usually involved relatively minor adjustments to financial phasing, slight shifts in emphasis in response to new opportunities or challenges and updating statistics or information set out in the plan. The Asset Management Strategy (AMS) has not been updated within the last 5 years
6. The HRA Business Plan is first and foremost a financial document that determines how the council will meet the present and future needs of people living in our homes whilst ensuring the long term viability of the stock
7. It sets out the priorities for the business over the next 30 years to demonstrate that the council can maintain sufficient investment in its current assets, deliver high quality services to the people living in council

owned homes whether rented or leased and raise capital funding to support a programme of new council house building. It presents greater detail of investment priorities over the first five years of the Plan.

8. The AMS supports and informs the HRA Business Plan. It sets priorities for the physical care, improvement and disposal of the housing stock and related housing assets. The length of time since review and the results of a new housing stock condition survey warrant an updated Asset Management Strategy.
9. Both documents have been pared down to broad themes with links to more detailed information and initiatives. Previously, information and data were included in the body of the report which were almost immediately out of date.
10. The HRA business plan and AMS updates reflect;
 - The national policy context.
 - The new council plan.
 - The declaration nationally and locally of a climate emergency.
 - A more ambitious new build programme for market sale and affordable housing.
 - Increased capital and revenue investment to improve the quality and energy efficiency of our homes.
 - Continued investment in homes for an ageing population.
 - Considerable investment in ICT to support our workforce and people who use our services.
 - A firm commitment to community led regeneration.
 - Use of communal areas to help improve health and wellbeing.
 - Investment in people who work for us, developing a culture that empowers colleagues and builds on the strength of people and communities.

HRA Financial Update

11. The HRA business plan and AMS finances are part of the overall Council budget for decision by executive elsewhere on the agenda.
12. The budget recognises the need for further investment in its housing stock and has identified additional funding for its repairs service;

- A new five year electrical testing programme across the stock (£711k full year)
- Annual risk assessments for Legionella (£80k full year)
- Additional servicing on equipment in tenants properties dealing with damp (£150k full year)
- New Apprenticeship Programme to recruit and retain up to 15 apprentices over a five year period (£100k full year)

There is also proposed investment across the Housing Management service;

- Additional investment in training across the service (£30k)
- Additional resources to support the adaptations service to people who live in council homes (£25k full year)
- Additional resources to support estate regeneration, improving care of estates and policy support (£92k full year)
- Additional resources to optimise the implementation of the new Housing ICT system (£140k full year)

13. It is also important to ensure that the HRA does operate efficiently and a number of savings (£507k in a full year) have been identified. These include;

- Reduction in subcontractor spend using internal resource where possible (£-200k)
- Using smart technology to increase productivity (£-109k)
- Reducing the time and cost of bringing void properties back into operation (£-100k)
- Other efficiency savings (£-98k)

14. The July 2019 budget amendment approved a further £2m investment into additional capital investment in modernising council homes (£1m) and also to increase the energy efficiency of council stock (£1m).

15. The plan includes increased investment in major modernisation programmes and the standing water programme. These are important priorities for improving the quality of life of the people who live in our homes, following some delays to these programmes over recent years.

16. Within the 2020/21 to 2024/25 capital strategy report additional investment of £1m has been identified (over 4 years) for delivering

improved energy efficiency measures across the housing stock. There is a further £150k per annum identified for investing in adaptations to council stock enabling people to live longer in their homes.

17. The key changes in the financial elements of the plan are that the debt attributed to the HRA increases to £171m (as sites are appropriated in order to deliver the new Housing Development Programme). The impact of these decisions going forward has been modelled into the revised 30-year business plan shown at annex B in regards to the plan. This plan also takes into account assumed rent increases over the period, inflation increases, timings for delivery of new units, right to buy sales and borrowing costs

The key headline financial elements of the plan are as follows with 2019 plan figures in parenthesis:

- Debt increases to £166m (£171m) as sites are appropriated in order to deliver the approved Housing Delivery Programme.
 - Debt levels will reduce to £26m (£0m) in year 30 of the plan
 - Debt costs over the period of the plan total £117m (£77m) due to the increased investment in land appropriation, new homes and existing homes.
18. The above shows that the HRA is forecast to take a longer period to repay the overall debt than under the previous plan. However, the HRA is undertaking significant investment in the current stock and new housebuilding programme, and overall the plan remains affordable and financially robust.

Consultation

19. No external consultation has been done on the HRA business plan and the Asset Management Strategy. Officers in Finance and Housing have developed these documents. Consultation takes place on individual strategies, plans, programmes and initiatives. Papers outlining the approach that would be taken on these documents were heard by Housing & Community Safety Scrutiny Committee in September 2019. Extensive consultation has taken place around the council plan which has helped shaped these documents and programmes.

Options

20. Option 1: Approve the revised HRA Business Plan (Annex A), revised financial projections (Annex B) and Asset Management Strategy (Annex C)

Note that a separate 'operational strategy' outlining what Housing Services do, how we will do it, what we want to achieve and the financial framework for this will be developed as part of our current change management programme.

Analysis

21. **Option 1:** The new format of both documents reflects the broad themes and ambitions that the housing service work to with links to more detailed information, action plans, strategies, programmes and initiatives. As these get updated the core plan will be, in effect, updated. This avoids information held within the plans becoming out of date quickly. Readers will find it more meaningful as a stand-alone document and those wanting more information on particular areas can follow the links which will be reviewed regularly.

The 'operational strategy' for Housing Services to be developed will set out;

- Who we are
- What we do
- Who the people we serve are
- Our behaviours and approach
- What we want to achieve
- The financial framework that we operate in

The 'operational strategy' will be the key document for our staff and the people that we provide services to.

Council Plan

22. The HRA business plan and AMS contribute directly to 'creating homes and world class infrastructure' as well as supporting the other key priorities through the provision of affordable homes where people can live safely and thrive.

Implications

23.

- **Financial** – These documents set out the context for the financial planning and submissions to council's budget
- **Human Resources (HR)** – The increased training budget will help with the development of our workforce and the culture that they operate in. There is also provision for the introduction of some new posts to support the overall business plan delivery.
- **One Planet Council / Equalities** – The documents set out the broad context for Housing's contribution to the council plan and key initiatives such as the contribution to reducing carbon emissions, creating homes and world class homes and infrastructure. They are also a regulatory requirement. The Better Decision Making tool and other assessments are done on individual initiatives which come within the terms of these documents.
- **Legal - none**
- **Crime and Disorder** – HRA funding contributes to the Community Safety Unit
- **Information Technology (IT)** – The HRA budget sets out investment in new IT which is managed as a major project
- **Property - None**
- **Other - None**

Risk Management

24. The business plan is a thirty year plan with a large number of variables making up the assumptions. There will be a number of influences (internal and external) that will impact the plan. The key variables are value to rent increases, inflation, building standards and regulations, the costs and revenues of the Housing Delivery Programme, and national housing policy. The plan though is financially robust and able to deal with external impacts in the short term particularly in relation to the minimum working balance. The plan is also updated on a regular basis to take into account such changes.

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All

For further information please contact the author of the report

Annexes

Annex A – Housing Revenue Account Business Plan

Annex B – HRA Business Plan finance 2019 / 2020 onwards

Annex C - Housing Asset Management Strategy.

Annex D – HRA Business Plan & AMS Better Decision Making Tool