Report to Safer and Stronger Communities Scrutiny Committee 27th March 2014

Report of: Executive Director, Communities

Subject: The Housing Revenue Account (HRA) Business Plan Update 2014/15

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Summary:

This report provides a summary of the City Council's Housing Revenue Account (HRA) Business Plan and the principles that underpin it.

Government reformed the funding of council housing in 2012 by introducing a system of local 'self-financing' for all Local Authorities with council housing. This was positive for Sheffield but also brought with it risks.

In order to realise the benefits and manage the risks associated with self-financing the City Council developed an HRA Business Plan which sets out how all council housing activity would be funded from the income which can be raised through rent and charges set by the Council as landlord.

The financial viability of the plan is assessed through its capacity to repay debt over a 30 year planning horizon. At the 2014/15 update the forecasted long term health of the plan had weakened as a result of changes to the national social rent policy guidance, the emergence of cost pressures and the council's forecasts for key risks such as welfare reform and Right to Buy.

The plan is reviewed and updated annually. It proposes rents and charges for the year ahead together with a revenue budget and a medium term plan for investment and repair, tenant services, debt and treasury management and value for money initiatives.

The annual update of the plan is a product of an annual consultation process with tenants which typically includes three City Wide Forum meetings and the Annual Tenant Conference although some specific proposals within the plan have been developed from more targeted consultations such as service design groups, partnership groups, challenge for change and Local Housing Forums.

The 2014/15 update was approved by Council on 5th February 2014 and will be implemented from 7th April 2014.

Type of item: The report author should tick the appropriate box

Reviewing of existing policy	**x**
Informing the development of new policy	**x**
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Community Assembly request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	**x**
Other	

The Scrutiny Committee is being asked to:

The Scrutiny Committee is asked to provide feedback on the activity currently being prioritised through the HRA Business Plan and on key priorities for the future.

The Committee is asked to provide feedback on how the involvement of tenants in the annual review of the business plan might be improved.

Background Papers:

Report to Cabinet: Housing Revenue Account (HRA) Business Plan update report, HRA Budget and Rent Increase 2014/15, 15th January 2014

http://sheffielddemocracy.moderngov.co.uk/ieIssueDetails.aspx?IId=12818&PlanId=0&Opt=3#AI7171

Report to Cabinet: Housing Revenue Account (HRA) Business Plan 2012-17 update report, HRA Budget and Rent Increase 2013/14, 16th January 2013

http://sheffielddemocracy.moderngov.co.uk/ieDecisionDetails.aspx?Id=791

Report to Cabinet: Housing Revenue Account (HRA) Business Plan 2012-17 and HRA Budget and Rent Increase 2012/13, 25th January 2012

http://meetings.sheffield.gov.uk/council-meetings/cabinet/agendas-2012/agenda-25th-january-2012

Category of Report: **OPEN**/~~CLOSED~~ (please specify)

Report of the Director of Communities
The Housing Revenue Account (HRA) Business Plan Update 2014/15

1. Summary

1.1 This report provides a summary of the City Council's Housing Revenue Account (HRA) Business Plan and the principles that underpin it.

1.2 Government reformed the funding of council housing in 2012 by introducing a system of local 'self-financing' for all Local Authorities with retained stock. This was positive for Sheffield but also brought with it risks.

1.3 In order to realise the benefits and manage the risks associated with self-financing the City Council developed an HRA Business Plan which sets out how all council housing activity would be funded from the income which can be raised through rent and charges set by the Council as landlord.

1.4 The financial viability of the plan is assessed by its capacity to repay debt over a 30 year planning horizon. At the 2014/15 update the health of the plan had weakened as a result of changes to the National Social Rent Policy, the emergence of cost pressures and the council's forecasts for key risks such as welfare reform and Right to Buy.

1.5 The plan is reviewed and updated annually to set rents and charges for the year ahead together with a revenue budget and a medium term year plan for investment and repair, tenant services, debt and treasury management and value for money initiatives.

1.6 The annual update of the plan is a product of an annual consultation process with tenants which typically includes three City Wide Forum meetings and the Annual Tenant Conference although some specific proposals within the plan have been developed from more targeted consultations such as service design groups, partnership groups, challenge for change and Local Housing Forums.

1.7 The 2014/15 update was approved by Council on 5th February 2014 and will be implemented from 7th April 2014.

2. The Housing Revenue Account (HRA)

2.1 The Housing Revenue Account is the Council's landlord account that covers all aspects of council housing including day to day housing management, investment and repairs services, rental income from tenants and all related expenditure.

2.2. The Housing Revenue Account is ring-fenced for expenditure on the provision of housing accommodation by the Local Authority.

3. HRA Reform ('self-financing')

3.1 From April 2012, all Local Authorities with council housing in England moved from a national subsidy system of council housing to a new system of local 'self-financing'.

3.2 The transition to self-financing involved a one-off adjustment to the debt of each stock owning local authority to a level the Government considered affordable for that authority given a set of assumptions around future rental income and need to spend on stock and services.

3.3 Under self-financing all aspects of Council Housing in Sheffield have to be funded from the income which is generated through Council Housing in Sheffield. The introduction of self-financing has been positive for Sheffield as it has meant more resources for council housing than under the old subsidy system and the capacity for long term planning.

3.4 The introduction of a self-financing Housing Revenue Account has also brought with it greater flexibility as there is essentially now only one source of funding for council housing in Sheffield- rents. This means the decisions about how we allocate council housing resources between disciplines (assets, services and debt) are ours for the first time, and not Government's.

3.5 However, self-financing has brought with it a transfer of risk, particularly interest rate risk, from government to the local authority. The long term viability of the plan is therefore assessed through the plan's capacity to repay debt and in so doing mitigate interest rate risk (see section 5)

3.6 In order to realise the benefits and manage the risks associated with self-financing a business plan is produced by the City Council and updated each year.

4. The HRA Business Plan in Sheffield

4.1 The HRA Business Plan is divided into 6 main chapters.

Income:	How all aspects of council housing will be funded. This includes rents and other charges made to tenants by the council as landlord.
Homes:	The budgets and priorities for the investment in and repair to council homes
Tenant Services:	The budgets for the delivery of services to council tenants such as rehousing, rent collection, tenancy support etc
Debt:	The Council's approach to managing the debt portfolio of the HRA and how these costs can be minimised over the long term
Value for Money:	Efficiency initiatives particularly in relation to back office functions
Governance:	How tenants, elected members and officers influence policy and assure the integrity of the plan

4.2 For 2014/15 HRA Business Plan budgets have been set as follows:

	Budget heading		**£m**		**Chapter containing the detail**
Income	Rents		147.7		Income
	Other		5.9		
		Total		**153.6**	
Expenditure	Repair		37.0		Homes
	Investment		38.0		
	Tenant Services		53.7		Tenant Services/ VfM
	Interest on debt		15.3		Debt
	Other cost		2.2		
		Total		**146.2**	
Balance	Transfer to Capital reserve*		7.4		

**Cashflow budget- required to fund investment programme in coming years*

5. Business Plan – 30 year viability assessment

5.1 With the self-financing arrangements the sustainability of council housing in Sheffield over the long term is now the responsibility of the City Council and not central Government. Because of this responsibility it is crucial that the City Council has an indicator of the long term viability (health) of the business plan. This is is assessed by use of a 30 year affordability profile.

5.2 All aspects of council housing have to be funded by income generated by council housing in Sheffield. Some of these expenses such as replacement kitchens, bathrooms, roofs etc run over long lifecycles so in order to ensure the plan will have the required resources to fund all activity when it is needed a long term 30 year forecast of income and expenditure is required.

5.3 Self-financing has also brought with it a transfer of risk from Government to the Local Authority, of which perhaps the most significant is interest rate risk. Under self-financing, the cost of borrowing has to be met by the business plan. The HRA supports around £350m borrowing (the value of the original debt settlement which signalled the transfer to self-financing in March 2012) and debt costs around £15m in interest payments each year. Each loan is like a mortgage in that after a fixed period it matures and has to be repaid. As each loan matures the council can choose to repay it either from rental income, or by taking out a new loan (refinancing). If the council chooses to repay through refinancing the new loan may either be cheaper or more expensive than the original, depending on interest rates at the time. In order to mitigate the risk of having to take on new debt at high interest rates it is preferable to ensure the council can always afford to *choose* whether to pay off newly maturing debt from rent or refinancing and is never held to ransom by high interest rates.

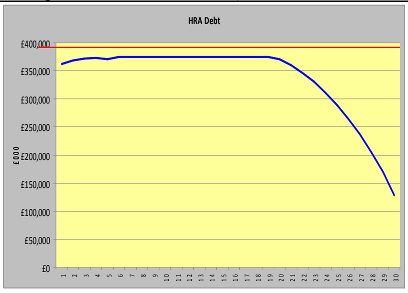
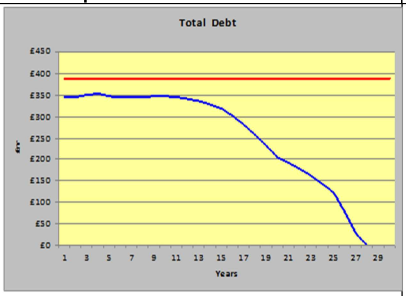
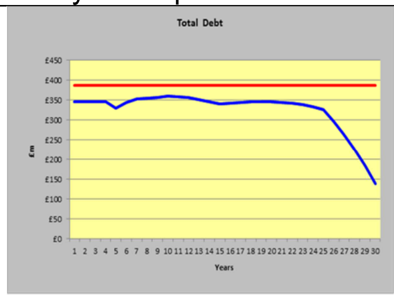
5.4. The 30 year affordability profile measures the *capacity* of the plan to repay debt over a 30 year planning horizon after the cost of investment and repair, tenant services and overheads, and interest on debt have been taken into account. If the plan does not have this capacity it is more exposed to interest rate risk. The greater the exposure to interest rate risk the higher the likelihood that rising interest rates would impact on the ability of the plan to fund commitments. And if the plan is unable to fund key commitments such as the repair of stock or the delivery of essential services then the sustainability of the plan might be affected and ultimately the plan could destabilise.

5.5 At the 2014/15 update presented to Council in February 2014 the forecasted long term financial health of the business plan has weakened since the 2013/14 review and no longer has the capacity to repay debt in full over a 30 year planning horizon.

5.6 Council was recommended to note this change, to understand the assumptions which underpin it and to make decisions subsequently which will secure a long term, secure and balanced business plan in the future.

5.7 Despite the weakening of the business plan over 30 years, a decision was made to stay true to existing commitments, to continue to invest in key aspects of the business in order to make the plan more sustainable over the long term and to ensure continued prudent financial decision making to return the plan to full vigour.

Assessment of the plan's viability over the first 3 years of self-financing

	2012/13	**2013/14**	**2014/15**
	Original business plan	First update	This year's update
Viability			
	£130m debt outstanding in y30	Debt repayable by year 28	£140m debt outstanding y30
Reason?	• Investment backlog	• Future of Council Housing efficiencies • Improved interest rate forecast	• Change to national social rent policy • Cost pressures • RTB and Welfare Reform forecasts

6. Income and resources

<u>Risks – Welfare Reform</u>

6.1 A key risk to income and one of biggest risks to the business plan overall continues to be welfare reform which is due to be phased in nationally by 2017/18.

6.2 The restriction of housing benefit to under-occupying social housing tenants was introduced in April 2013. Arrears resulting from the new under-occupancy rule will be higher than assumed in the 2013/14 update report. However, the number of households affected is reducing with 4,261 council households affected in October 2013, down from 5,130 in April 2013. There is also a risk that these rules will impact on the popularity of some property types thereby impacting rent loss.

6.3 The benefit cap was introduced in Sheffield during August 2013 and affects around 48 households in council housing accommodation. This is unlikely to have a significant impact on arrears.

6.4 Universal Credit may be introduced in Sheffield from April 2015 and the national direct payment Demonstration Projects are being monitored closely to understand the possible impact of this change. The analysis of the Council to quantify the risk posed by the welfare reforms has resulted in significant increases in forecasted arrears. Welfare reform will also continue to affect other HRA costs such as transaction costs, payment card costs and eviction costs.

<u>Risks- Right to Buy</u>

6.5 The Government 'reinvigorated' the Right to Buy policy in April 2012 by increasing the maximum discounts available to tenants and since then announcements have been made to stimulate sales further. Any receipts generated by this policy, additional to those factored into the self-financing settlement of 2012 by Government, are ring-fenced for re-investment in affordable housing.

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Government assumption of RTB sales in 2012 self-financing settlement	85	100	112	117	118	119
RTB sales projected in Jan 2014	149 (actual)	243	265	290	250	210

6.6 The impact of increased Right to Buy sales on the business plan are:

- A reduction in rental income over the long term as a result of increased sales, which is only partly offset by savings in repairs, depreciation and interest costs
- The availability of receipt income (£15m) ringfenced for the delivery of new affordable homes, but which is insufficient to replace RTB losses on a one for one basis. This is because of the low market value of homes in Sheffield relative to the £75k maximum discount and the cost of new build

Rents – Social Rent

6.7 Rent for council housing has historically been social rent. Social rent is set for individual properties in accordance with a Government formula. The formula is based on a 1999 property valuation, the number of bedrooms and average income locally.

6.8 The annual rent increase is also based on policy set by Government. For the period 2002 – 2014 weekly rents have increased by the Retail Price Index inflation + 0.5% annually, plus up to £2 where the current rent is below the formula (or 'target') rent for that property. This process has been known as rent restructuring/ convergence.

6.9 At the 2013 Spending Round it was announced by Government that for the period 2015-2024 all social rents would rise by the Consumer Price Index +1%. This announcement signals the end of rent restructuring one year earlier than planned. It also had the effect of reducing the long term forecast for income into the plan in the 2014/15 update.

Rents- Affordable Rent

6.10 Affordable Rent is a new rent level introduced by Government in 2010. It is defined as up to 80% market (private) rent so is typically between social rent and market rent. It was introduced to enable Registered Housing Providers to generate additional capacity for investment in new affordable housing.

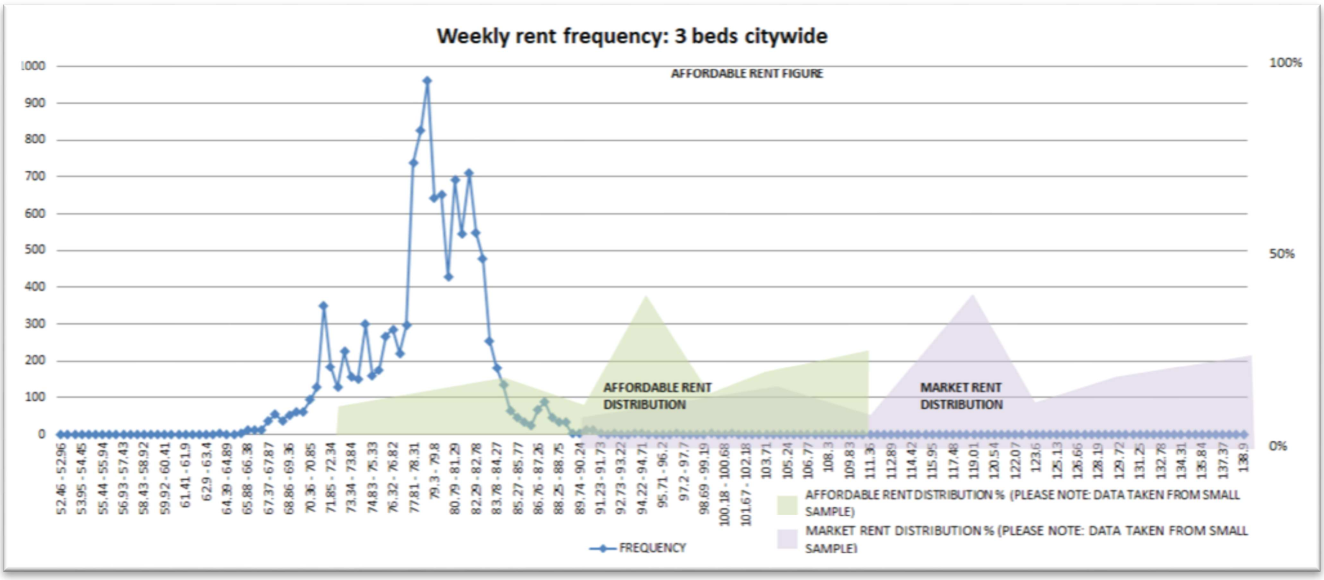
6.11 Sheffield City Council is in receipt of grant funding from the Homes and Communities Agency to being 31 long term empty properties back into use as council housing. The terms of this agreement are that these new council homes must be let at Affordable Rent. Affordable Rent will also be required for most other new council homes delivered in the coming years in order that these schemes can be self-financing and so not be at the detriment to existing commitments or the wider business plan.

Current rent levels

6.12 Average rent levels in Sheffield, based on a 50 week figure for ease of comparison, are set out in the following table. The Affordable Rent (80% Market Rent) and Market rent figures are based on a small and informal survey of unfurnished *ex-council homes* for rent in Sheffield in November 2013.

Size	Social Rent	Affordable Rent	Market Rent
1 bed	£61.99	£86.40	£108
2 bed	£70.29	£91.20	£114
3 bed	£78.86	£95.04	£118.80
4 bed	£85.39	£96.00	£120

6.13 Whilst this table shows average rent figures the reality is that there is a spectrum of rents at Social Rent for each property size just as there is for market and Affordable Rents. The graph below overlays the actual frequency distribution of Sheffield City Council's social rents in 2013/14 with an indication of the distribution of affordable rents and market rents for ex council homes of a similar size, to serve as comparison. The graph shows that not all social rents for similarly sized property are the same.



Other Charges

6.14 Tenants connected to the Community/ District Heating network receive a charge separate to their rent for heating and hot water and related operational running costs. The account is ringfenced but is allowed carry forward a deficit/ surplus between years such that annual energy price changes can be smoothed for the benefit of tenants.

6.15 Tenants in Sheltered Housing receive charges separately from their rent to reflect the additional support provided. The council has made a decision that supported housing subsidy which funds this cost for eligible tenants can no longer be afforded. Work is currently underway to remodel the service in order that the impact of this on the tenant is minimised. General needs properties with burglar alarms owned and serviced by the Council also attract an additional charge. This will be adjusted in 2014/15 to reflect the costs of the new contractor following procurement.

6.16 Sheffield City Council has not de-pooled charges for services such as caretaking, communal cleaning, communal lighting and grounds maintenance to communal gardens, which benefit a minority of tenants but which are effectively paid for through the rent of all tenants. A commitment has been given to consult on the de-pooling of service charges; this would improve transparency and could be used to generate income. Consultation will take place once the arrangements for the regulation of service charges/ rents under Universal Credit are known.

7. Homes

Tackling the backlog

7.1 One of the original commitments in the business plan 2012/13 was to focus the investment programme on reducing the investment backlog (investment to homes which is now due). Whilst the investment backlog has reduced massively over the last 10 years it remains a key risk because any delay to the work increases costs in the plan. This is because delayed investment leads to increased need for responsive repairs which are more expensive than undertaking the same work through a planned programme. The different elements of the backlog are prioritised in the business plan as follows:

Priority 1: Completion of the Decent Homes forward programme
This is to meet a commitment made to tenants to complete the forward programme by March 2014 and this commitment is on track. Homes omitted from the programme will brought to standard through an elemental replacement programme with the top priority being those properties which were omitted in full and those with new or transferring tenants.

Priority 2: Investment in obsolete heating systems
This alleviates fuel poverty as well as reducing the high repair costs associated with boiler breakdowns. This commitment is on track and around 90% existing and emerging heating backlog will have been addressed by March 2017.

Priority 3: Investment in high priority roofing
Homes which are not watertight can have health implications for tenants as well as being expensive to repair due to water damage. All roofs with a higher priority will be tackled by 2018/19.

Delivering new council homes

7.2 A commitment is made in the business plan to make full use of the capacity of the HRA to deliver the maximum number of new/ additional council homes possible under the current borrowing rules. In order to make the schemes viable, and so as not to compromise existing investment priorities and the wider business plan, all new homes must be self-financing (viable) over the long term.

7.3 At an individual property level this means that the rental income generated by a new property over 30 years must be equal to or exceed the cost of delivering that unit plus the 30 year maintenance costs of that property. The key factors determining viability are

1. The purchase/ build cost of the home
2. Rental income from the home once it is delivered and
3. The availability of match funding to part fund the scheme and so reduce the need for HRA borrowing

7.3 Schemes will only be brought forward when there is sufficient match funding to make them viable. Initially around 600 homes are forecast in the coming 6 years. This is the maximum number which might be delivered with current forecasts of match funding (mostly ring-fenced Right to Buy receipt). This number will be updated as forecasts of match funding evolve.

7.4 At least 120 of these homes will be new build council houses, 75 of which will be delivered by March 2016 and the remainder by 2020. In 2013 the Council agreed the purchase of 30 new homes from the Sheffield Housing Company. Procurement for the remaining 45 will be undertaken in late summer 2014 with an expected start on site of Spring 2015. The property types to be built will be determined by the needs of the local area. Local consultation will be undertaken later in 2014.

7.5 The remainder of the 600 new homes will be acquisition of existing property for use as council housing. An acquisition strategy is currently under development which will set out the council's priorities for delivering these homes. Factors to consider when acquiring property might include the quality of the home, cost and likely rental income, supply and demand data for social housing and whether the council has any other interest in buying the home. It is expected that an acquisition strategy will be in place by the summer of 2014.

Five year investment programme

7.6 The current 5 year investment programme is set out below. In 2014/15 around 93% of the programme will be funded from the revenue account (predominantly rents). The remainder is from capital contributions such as Right to Buy receipts.

HRA Capital Programme	2013-14 Expected outturn £m	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2014-19 5 year total £m
Essential work (H&S, fire safety etc)	1.609	3.191	3.547	2.326	1.663	0.800	11.527
Adaptations & Access	2.204	2.305	2.225	2.225	2.300	2.200	11.255
Regeneration	1.585	3.270	1.340	1.012	0.000	0.000	5.622
Waste	0.090	0.490	2.006	0.911	0.000	0.000	3.407
Other (community heating, programme mgt)	0.722	1.466	2.505	1.805	1.255	0.605	7.636
Area Investment Enviromentals	21.790	2.665	1.008	0.000	0.000	0.000	3.673
Heating & boilers	6.880	11.312	11.080	9.651	4.598	6.000	42.642
Roofs & externals	0.072	13.172	26.727	27.926	25.184	28.989	121.998
Communal areas	0.000	0.500	4.500	4.900	5.000	3.500	18.400
Electrics	0.000	0.030	4.500	4.500	4.970	5.000	19.000
Kitchens, Windows, Bathrooms & Doors	0.000	0.250	6.654	10.025	9.217	7.970	34.116
Other planned elementals	0.301	0.300	0.000	0.000	0.000	5.000	5.300
Sub total	**35.253**	**38.951**	**66.092**	**65.281**	**54.187**	**60.064**	**284.575**
75 New build	2.310	3.597	3.810	0.000	0.000	0.000	7.407
Long Term Empty Acquisitions	0.681	2.414	0.000	0.000	0.000	0.000	2.414
New stock increase	0.000	1.800	10.881	10.736	19.153	11.270	53.840
Total HRA Expenditure	**38.244**	**46.762**	**80.783**	**76.017**	**73.340**	**71.334**	**348.236**

Revenue Repairs

7.7 The repairs and maintenance service was procured on the open market in 2013 and the new contractor from April 2014 will be Kier Services. This will bring savings to the HRA over the life of the contract.

8. Tenant Services

Supporting Tenants through Welfare Reform

8.1 The business plan sets out how additional resources are allocated to the support of tenants affected by welfare reform for the benefit of those tenants and the wider business plan.

8.2 In 2014/15 additional funding* has been set aside for:

- Additional staff (£455k)
- Debt advice (£80k)
- Smartmove (£80k)
- Hardship Fund (£500k)
- Payment methods (£46k)
- Texting (£20k)
- Enhanced downsizing support (£14k)

**Funding in 2014/15 compared with 2011/12 pre self-financing baseline budgets*

Best use of homes

8.3 One of the central features of a successful self-financing business plan is the timely rehousing of tenants and the sustainability of tenancies.

8.4 The business plan has made funding proposals and savings assumptions for the Lettings Policy Review and the implementation of a Choice Based Lettings ICT System. The new Lettings Policy was approved in March 2013 and the ICT System went live in October 2013.

8.5 In 2012 the business plan included an ambition to improve the sustainability of tenancies over the long term by linking up support services to more effectively prevent tenancies failing. In 2013 the Future of Council Housing service design process developed a vision for wholesale change in how housing services are delivered. As a result the ‘successful tenancies’ initiative was adapted to test out new ways of working that would assist in the preparation of a business case for a ‘Housing Plus’ model of housing management. On 19th March 2014 Cabinet approved the implementation of Housing Plus which is currently scheduled to begin in April 2015.

Attractive Neighbourhoods

8.6 A key aim for the business plan is to reduce the high cost of estate services whilst ensuring neighbourhoods continue to be attractive and pleasant places to live. This is to be achieved in two ways.

a) Tackling Fly-tipping - Taking a coordinated approach to the prevention of fly tipping through investment in education and enforcement. This is funded through savings made on bulky waste.
b) Green and Open Space **-** Reviewing green and open space management on council housing land, including a 10% efficiency target for Council Housing Service and Parks staff in relation to the work they undertake on council housing land.

Tenant Services Budget breakdown

8.7 The following table shows the budget breakdown of cost associated with tenant services.

Tenant Services Budget	£	53,720,851
Council Housing Service	£	38,071,586
Non- Council Housing Service	£	11,355,484
Other costs	£	4,293,781

9. Debt & Treasury Management

9.1 Since the transition to self-financing in 2012 the overall debt strategy of the HRA has been to externalise its internal borrowing by taking fixed-rate loans to mitigate some of the interest-rate risk inherent in the HRA portfolio.

9.2. Loans are being taken at a rate that is budgeted for within the HRA Business Plan, and with maturities that provide the HRA with the flexibility it needs to make financing choices to support its wider plans. This means the business plan is establishing a sound borrowing platform on which to make long term investment decisions at the expense of short term interest rates savings.

10. Value for Money

10.1 The value for money section of the business plan highlights emerging cost pressures and monitors efficiency targets for the redistribution of resources into areas of higher strategic priority.

10.2 Current business plan efficiency targets are:

- Support Cost Efficiencies - Efficiency savings of 10% in 2012/13 and 7.5% in 2013/14 on Council Housing support costs are being delivered as planned.
- Future of Council Housing efficiencies - £1.2m savings resulting from the Future of Council Housing integration are on track to be delivered as planned.
- Repairs and Maintenance Service Design – 2% efficiencies to be generated through the procurement of a new provider are expected to be realised.

10.3 Significant cost pressures emerging in 2013/14 included the Council's pension liabilities, insurance costs and Council Tax liability.

11. Governance and involvement

11.1 The annual update of the HRA Business Plan is the product of an annual consultation process with tenants which in 2013/14 included items at 3 x City Wide Forum meetings and the Annual Tenant and Resident Conference.

11.2 Some elements of the business plan were developed from more targeted consultations such as the Service Redesign Groups and the Partnership Groups, Challenge for Change and Local Housing Forums.

11.3 Tenants have been involved in overseeing the delivery and review of the business plan through the Interim Sheffield Council Housing Board which is chaired by the Cabinet Member for Homes and Neighbourhoods.

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11.4 The HRA Business Plan is scrutinised annually by this committee and has been each year since the start of self-financing.

12 What Does This Mean For The People Of Sheffield?

12.1 The Council's 41,000 dwellings are home to around 48,000 people as tenants. In addition, approximately 2,200 leaseholders receive housing services from the Council.

12.2 The HRA is a statutory account that includes the resources that provide council housing services to tenants. It is the Council's current tenants and future tenants who will be affected by the on-going choices that are made through the HRA Business Plan.

12.3 One of the aims of the business plan is to assure the long term sustainability of council housing as a vital service for Sheffield people. The foundation of the HRA Business Plan is to ensure that council homes are occupied because letting homes generates the rental income which funds all aspects of council housing.

13 Future direction for the HRA

13.1 The most recent business plan update report suggests that the first priority for the business plan should be to return the plan to full vigour by taking a cautious approach to resource allocation to secure a long term, secure and balanced business plan in the future.

13.2 Some of the key benefits of the 'new' self-financing regime are that the HRA has greater flexibility in use of its resources, the capacity for long term planning and real financial incentives to deliver sustainable communities. These are attributes to be optimised for the benefit of the Council and the city in the coming years.

13.3 In 2013 the City Council's Housing Strategy and the Strategic Housing Market Assessment have both articulated the need for more affordable housing in the City. With strong tenant support together with an increase in the level of forecast 'additional' Right to Buy receipts the delivery of new council housing through the HRA is becoming an emerging priority.

13.4 Feedback from tenants suggests that not only should the delivery of new/ additional council housing be a priority for the future but that the ambition of the Business Plan should be to see numbers of new council houses reach the same levels as the numbers being lost through Right to Buy, thereby stabilising the number of council homes in the city.

13.5 Also for consideration might be the HRA's response to the ongoing reductions to budgets in the General Fund. In a self-financing environment it is more important than ever that the Business Plan has the flexibility to invest in services/functions that will minimise its costs overall. In the current economic climate, when some tenants are likely to find it more difficult to afford to remain in their own homes and public sector budgets are reducing, the sorts of services which could potentially have the greatest beneficial impact on HRA repair, vacant and rehousing budgets might include those not traditionally regarded as essential landlord activities. In future there may be a need to evaluate to what extent the HRA should provide the support that council tenants need to sustain their tenancy and in doing so secure best value for all rent-paying council tenants.

14. Recommendations

14.1 The Scrutiny Committee is asked to provide feedback on the activity currently being prioritised through the HRA Business Plan and on key priorities for the future.

14.2 The Committee is asked to provide feedback on how the involvement of tenants in the annual review of the business plan might be improved.

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