

Agenda Item No: 4
Report To: Overview and Scrutiny
Date: 24 March 2015
Report Title: Housing Revenue Account 30 year business plan
Report Author: Senior Scrutiny Officer
Portfolio Holder: Portfolio Holder for Social, Local Needs & Special Care Housing



Summary:

At the Cabinet meeting in November 2014 the O&S Committee were invited to agree the HRA Business Plan 2014 - 2044 report as part of the budget scrutiny process. The Budget Scrutiny Task Group have reviewed the plan and are happy with it. They invite the full Committee to join with them in commending it to Cabinet.

Key Decision: NO

Affected Wards: All – none specifically

Recommendations:

- 1. The Overview and Scrutiny Committee receives an update report in about 18 months' time on the effect of the roll-out of Universal Credit on the council**
- 2. The Overview and Scrutiny Committee recommends that the Cabinet:-**
 - Be advised that the O&S Committee has reviewed and is happy with the HRA Business Plan**

Policy Overview: N/A

Financial Implications: N/A

Risk Assessment N/A

Equalities Impact Assessment N/A

Background Papers: HRA Business Plan 2014-2014: Report to Cabinet 13.11.2014

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Purpose of the Report

1. At the Cabinet meeting in November 2014 the O&S Committee were invited to agree the HRA Business Plan 2014 -2044 report as part of the budget scrutiny process. The Budget Scrutiny Task Group have reviewed the plan and are happy with it. They invite the full Committee to join with them in commending it to Cabinet.

Issue to be Decided

2. The O&S Committee are asked to support the two recommendations from the Task Group: to commend the HRA business plan to the Cabinet and to request an update to O&S on the impact of the roll-out of universal credit on the Council (in about 18 months' time).

Background

3. When the HRA Business Plan 2014 – 2044 was presented to the Cabinet in November 2014 the O&S Committee was asked to agree the plan as part of the budget scrutiny process.
4. When the Budget Scrutiny Task Group reviewed the plan last year it was decided that it would be best to consider the plan after the series of meetings to consider the Council's draft 2014/15 budget were completed. The same approach was adopted this year.
5. The Council is required to have a 30 year Business Plan for the Housing Revenue Account. To support this a 30 year financial model is maintained which forecasts the cash flows for the HRA and allows the long term viability of the service to be modelled and tested.
6. The HRA buyout enabled the Council to focus on its key priorities for council housing and the following HRA priorities were agreed at the July 2012 Cabinet :
 - Continue to build new homes for council tenants and consider future new build by the Council be funded from outside the HRA where funding is not available
 - Plan to rebuild/remodel the Council's sheltered accommodation across the borough over a 15 year period
 - Decent Homes standard to be maintained over the 30 year Business Plan cycle
 - Additional sums to be set aside to spend on adaptations in accordance with details of the debt calculation
 - Develop specific and agreed neighbourhood improvements across the borough.

7. The business plan report presented to the Task Group explained that the business plan model had to be drawn up afresh each year and had been updated based on the current outturn for 2014/15. Subsequent years had been updated to include the following changes and updates:-
 - Appropriation of the garages to the General Fund from 1 April 2015 for the sum of approximately £3million
 - Conversion of void 2 bed flats and 2/3 bedroom houses from social to affordable rents from 1 April 2015 for 3 years
 - While the assumption that Supporting People income (currently £260,000) will reduce by 25% per annum has not changed, officers are anticipating that 40% of this loss will be recovered through service charges, this increase in service charges has been included in the model
 - Inflation has been reviewed and lowered to reflect current inflation trends as reported by the Office of National Statistics
 - Additional spend (£500k) at Farrow Court has been included to reflect the expected impact of construction inflation
 - Additional HRA adaptation spend has been included (agreed by Cabinet July 2014)
 - The Affordable Homes Programme 2015-18 has been included
 - Increase in the HRA debt cap as part of the Local Growth Fund – HRA borrowing programme
 - Growth in staff numbers and associated salary costs to meet growing demand.
8. Because government requirements, guidelines and other circumstances do change, the model allows for a number of different scenarios to be modelled and is able to be flexed to take into account changing conditions within a project. In order that the plan is realistic all the estimates are included on the basis of their probability rather than as either best or worst case scenarios.
9. The Task Group, with the support of the Portfolio holders for Social, Local Needs & Special Care Housing and Finance, Budget & Resource Management considered the business plan carefully and were able to ask for additional information/explanation from the housing and finance officers present.
10. Members were particularly asked to be aware of the potential future accounting issue around the impairment and revaluation of HRA assets. There was at present a central government 'fix' which dealt with this, but this measure would expire in 2017. It was expected that the Communities and Local Government Office would be issuing guidance to mitigate this issue, but this had not happened yet.
11. During the discussion Members enquired about the roll-out of Universal Credit and what sort of effect the change to direct payments could have on the Council in the future. Members asked Officers if they could have an update on the situation in about 18 months' time to see what, if any, impact direct payments had made.

Conclusion

12. Having reviewed the HRA business plan 2014 -2044, the Task Group would like to recommend that the O&S Committee commend the HRA Business Plan to Cabinet and request the O&S Committee support this. The Task Group also recommend that, in about 18 months' time, O&S receive an update on the impact of the roll-out of Universal Credit – especially in relation to direct payments.

Portfolio Holder's Views

13. "As the full rolling out of Universal Credit is still someway off for Ashford, we cannot anticipate the true effect that might have on our budget. However, every reasonable step has been taken to deliver a realistic budget and margins built in, and our housing officers will be working closely with tenants to obtain a secure rental income. Thus a review in the future seems to be a realistic goal, but that date may need to be reviewed at a later date."

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