

**CABINET**

Wednesday, 12 September 2018

**HOUSING REVENUE ACCOUNT BUSINESS PLAN (REP 1701)****EXECUTIVE SUMMARY**

1. The Council has prepared a draft Housing Revenue Account (HRA) Business Plan 2018 – 2048 (The Business Plan) for consideration and approval by Cabinet. The Business Plan is reviewed on a 2 – 3 year cycle and provides detail on the housing service and the housing stock owned by this Council. This informs the annual budget process and Council approval of the HRA budget.
2. The Business Plan adopts an East Suffolk Council perspective following the Government's approval of a new larger Council for east Suffolk from April 2019.
3. The Business Plan considers the investment plans for the next 30 years and the intention to develop new affordable council housing across the district, specifically in assisting the regeneration of the Lowestoft and Outer Harbour AAP.

Is the report Open or Exempt?	Open
<b>Wards Affected:</b>	All
<b>Cabinet Member:</b>	Councillor Chris Punt Cabinet Member for Housing
<b>Supporting Officer:</b>	David Howson Housing Strategy Manager 01502 523146 <a href="mailto:Dave.howson@eastsoffolk.gov.uk">Dave.howson@eastsoffolk.gov.uk</a>

## **1 INTRODUCTION**

- 1.1 The Council maintains and manages its own housing stock of over 4,430 properties across the Waveney district. The Council is legally required to maintain a separate Housing Revenue Account (HRA) which funds all activity relating to this stock. This is to ensure there is no cross subsidy between the General Fund and the HRA. The HRA budget is approved annually by the Council but it is considered good practice for a stock-holding council to have a Business Plan. The Business Plan covers a 30 year time period and will be reviewed and refreshed every 2-3 years.
- 1.2 The Business Plan considers the long term viability of the Housing service, reviewing expected income (rents) and expenditure (maintenance and management of the stock). The plan has been written to reflect the creation of East Suffolk Council from April 2019.

## **2 THE BUSINESS PLAN**

- 2.1 The draft Business Plan can be found at Appendix A. It has been reviewed by officers in both Housing and Finance against projected budgets. It has value for money at the heart of its investment plans and seeks to deliver efficient and effective social housing services across all areas of activity.
- 2.2 The plan comprises 7 sections covering different elements of the service. The key highlights are listed below.
  - 2.2.1 Within the Business Overview (Section 3 of the Business Plan), current factual information about the make up of the housing stock and a profile of our tenants is included. This highlights that:
    - 2.2.2 45% of the housing stock are houses (as opposed to flats)
    - 2.2.3 49% of our tenants are 55 years of age or older
    - 2.2.4 63% of households in our stock are single people or couples.
  - 2.3 Within the Business Plan's Financial Overview, consideration is given to the current stock and the £19m income received each year. These council assets have a current market valuation of £525.5m. The Financial Overview is considered in detail in the Financial and Governance Implications of this report .
  - 2.4 The Risk Assessment section in the Business Plan considers the need to limit risk exposure to the Council with the major risks to be managed including a fall in the amount of capital receipts that the Council may receive, an unexpected increase in the rate of inflation above the projected 2.5%, and potential implications of Brexit.
  - 2.5 The Business Plan sets out the aspiration to deliver new affordable housing, delivering over 1,500 new affordable homes over the 30 years, and particularly providing new social housing as part of a broader regeneration scheme in the Lowestoft and Outer Harbour Area Action Plan. The potential impact of this investment is likely to be significant.

## **3 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?**

- 3.1 The HRA Business Plan relates closely to the East Suffolk Business Plan and the East Suffolk Housing Strategy. The East Suffolk Business Plan sets a clear vision to "maintain and sustainably improve the quality of life for everyone growing up in, living in, working in and visiting East Suffolk". The vision specifically seeks to "...address some significant local challenges, such as the need for new homes that are affordable and local to our communities".

- 3.2 The provision of council housing and the aspirations to develop or facilitate more affordable housing is regarded as contributing to the health and well-being of our communities through the provision of much needed housing.

#### **4 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 4.1 The HRA Business Plan is primarily a financial overview of the HRA projected over 30 years that considers the strategic intentions of the Council in regard to its housing stock. It considers sets of key financial assumptions and dependencies, which are outlined in the Business Plan that will be reviewed on a regular basis to ensure that they are still valid.
- 4.2 The housing stock is a valuable asset that brings an income of over £19m each year. Current market valuation of the stock is estimated at £525.5m though the alternative Government formula, the 'Beacon Approach' (to take account of long term tenancies) is £199.6m.
- 4.3 The HRA has a current debt of £75.97m. This consists of £68.29m self-financing debt, and £7.68m pre-self financing debt. The Debt Cap that the Government has applied to the Councils HRA is £87.26m, leaving borrowing headroom of £11.29m. In 2021/22 the first substantial repayment of £10.77m is due. The HRA has been setting aside money in a debt repayment reserve to pay this off, reducing the debt to £65.2m. No subsequent borrowing repayments are planned, which will result in the HRA being debt free by 2044. The available 'headroom' between our debt and the Debt Cap gives the Council an opportunity to take further loans if required to meet future development objectives.
- 4.4 It is considered 'best practice' to have a minimum revenue working balance of 10% of income received in any given financial year. For the current financial year (2018-19), this is estimated to be £2.03m. Our Revenue Working Balance is budgeted to achieve £3.8m in 2018-19, well above the minimum level. This balance is intended to mitigate any unforeseen costs that could potentially arise after the budgets are approved.
- 4.5 The Capital Programme for the 30yr plan is £368m which includes major works on our existing stock, redevelopment opportunities and new developments.
- 4.6 A prudent approach has been adopted in the Business Plan to ensure the financial viability of the HRA and remain well within the Government's requirements for the account. The Business Plan is entirely sustainable, paying off outstanding loans by Year 26 to be totally debt free.
- 4.7 The HRA budget is reviewed and approved by the Council annually to ensure that it meets any Governance requirements of the authority.

#### **5 OTHER KEY ISSUES**

- 5.1 This report has been prepared having taken into account the results of an Equality Impact Assessment, a Sustainability Impact Assessment and a Partnership Impact Assessment.

#### **6 REASON FOR RECOMMENDATION**

- 6.1 The HRA Business Plan provides a detailed financial and strategic analysis over a 30 year period to inform the Council of the financial viability of the Housing Revenue Account. The recommendation seeks to obtain Cabinet approval of the Business Plan that will inform the Housing Team's priorities for the coming years.

6.2 The Business Plan will be subject to regular reviews every 2-3 years to ensure that it is dynamic and relevant to the Council.

**RECOMMENDATIONS**

1. That Cabinet considers and approves the draft HRA Business Plan 2018-2048.

**APPENDICES**

**Appendix A**

HRA Business Plan 2018-2048