



Derby City Council

**COUNCIL CABINET**  
**8 February 2017**

Report of the Cabinet Member for Urban  
Renewal

# ITEM 15

## **Housing Revenue Account Business Plan 2017/2047**

### **SUMMARY**

- 1.1 The report sets out the 30 year updated Housing Revenue Account Business Plan for the management and maintenance of the Council's housing stock.
- 1.2 The Housing Revenue Account (HRA) remains in a relatively strong position. It can meet the immediate and longer term management and maintenance requirements of the Council's housing stock, as well as meeting the required debt repayments following the self-funding settlement in 2012. That said, the report recommends a review of existing assumptions to ensure the plan moving forward is based upon robust and up to date assumptions.

### **RECOMMENDATION**

- 2.1 To approve the 2017/18 update of the rolling 30 year HRA Business Plan, as set out within the report.
- 2.2 To approve the 2017/18 management and maintenance fee paid to Derby Homes and the monies set aside to meet pension liabilities as set out in paragraph 4.10
- 2.3 To approve the capital programme for the years 2017/18 to 2019/20 in paragraph 4.11.
- 2.4 To approve the commissioning of a stock condition survey update and review depreciation allowances within the Plan.
- 2.5 To approve a review of the management and maintenance fee calculation as per paragraph 4.9.
- 2.6 To agree that the approval of the fee calculation methodology shall be delegated to the Strategic Director of Communities and Place in consultation with the Cabinet Member for Urban Renewal.

### **REASONS FOR RECOMMENDATION**

- 3.1 Housing is a long-term asset and it is important that a longer term view is taken around asset management. Approval is sought for the proposed 2017/18 to 2037/38

update to the rolling 30 year HRA business plan that sets a strategy to manage the HRA into the future.



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### **SUPPORTING INFORMATION**

- 4.1 The Housing Revenue Account remains in positive balance informed by the current assumptions within the model, and is able to support investment and service delivery aspirations over and above the core management, maintenance and investment requirements.
- 4.2 The priority of the housing service is to manage, maintain and invest in the existing stock at levels agreed with tenants. The Business Plan needs to facilitate this as its key priority. However effective management of the Plan should ensure that we are able to invest in non-core areas such as new-build and acquisition, and estate improvements.
- 4.3 Within current assumptions, the HRA Business Plan has the financial capacity to deliver around 400 homes over the next few years subject to site availability. The Business Plan also factors some additional revenue provision, particularly in respect of estates' work, and facilitates opportunities for the HRA and Derby Homes to support broader corporate initiatives.
- 4.4 There are risks to the current modelling of the Plan and there are future risks to the Plan as yet un-quantified. However as indicated the HRA is currently able to support additional aspirations, which is positive and also provides a cushioning for the core service delivery should net revenues be further squeezed.
- 4.5 There are a number of downside pressures on the overall financial capacity of the HRA. These are:
  - 1) 1% rent reduction from 2016 to 2020
  - 2) Stock losses through Right to Buy
  - 3) Impact of welfare reform, particularly the introduction of the Housing Allowance cap in 2019.

These downside pressures are already accounted for within the current Plan.

- 4.6 There are a number of further risks that may produce further downside pressure on the HRA, which Members need to be aware of.
- 4.6.1 Lack of certainty of rent increases following the end of the 4 year reduction period. Currently the Plan assumes that after Year 4, there will be a 4 year increase at CPI + 1%, and from then on the Plan assumes an increase of CPI + 0.5%. This reflects current thinking within the sector. However economic uncertainties and further pressures could result in a reduced increase or no increase at all. Officers will monitor announcements from Government and will adopt mitigation measures as required.
- 4.6.2 Sale of high value council dwellings and/or the proposed stock levy. It is understood that the Government is committed to bringing this forward, albeit this has been delayed until 2018/19. This would introduce an annual levy on the HRA in lieu high value sales which would adversely impact the viability of the Plan. The Council could take the option of selling high value properties, or other properties to meet the cost of the levy. Sale of dwellings will have less of an impact on the viability of the Plan. However sales will naturally reduce the stock of affordable council housing. When Government policy is clear, officers will undertake an options assessment in order to recommend the best approach.
- 4.7 The HRA has a total revenue and capital spend of between circa £35m to £40m pa. Given the level of commitment it is important the Plan informing investment is based on sound information. As such, it is recommended that the Council commissions a review of current stock condition information and re-assesses the depreciation assumptions within the Business Plan.
- 4.8 Last year's Plan reduced the Estates Pride capital budget to a maximum of £500,000, as mitigation for the rental decrease introduced last year, with a further reduction to £250,000 from 2018/19. There is an Estates Pride revenue budget of £500,000 a year in the proposed Plan. This is to pick up minor revenue works on the estates, which have been lagging behind the capital works programmes. This also includes the cost of an expanded caretaking service which focuses on estate based works and some crime prevention activity. However it should be noted that the 2017/18 capital and revenue Estates Pride budgets will include underspend from 2016/17 and therefore will be proposed within the budget plan as £650,000 and £600,000 capital and revenue respectively for 2017/18 only.
- 4.9 The proposed management and maintenance fees to be paid to Derby Homes are set out in paragraph 4.10. There is no approved formula for the calculation of the fee payable to Derby Homes for assigned management and maintenance services. There is simply a historic methodology that has been employed. For the surety of both parties it is proposed that a methodology is agreed by both parties and approved by the Strategic Director of Communities and Place in consultation with the Cabinet Member for Urban Renewal.

- 4.10 That said, the proposed fees for 2017/18 and potential additional contributions set aside within the HRA are outlined below.

The settlement proposes an initial uplift to the management fee of £149k with a further estimated 153k to be paid across when the pension contribution is firmed up.

The settlement proposes an initial uplift to the maintenance fee of £143k with an additional HRA pension contribution estimated at £140k.

Management fee	Core fee ('000s)	Service Charge ('000s)	Set aside with HRA ('000s)
16/17 Management fee	9673	75	
Inflation	97		
Living wage uplift	54		
Stock loss	(2)		
Service charge increase		115	
Pension contribution allowance set aside			153*
17/18 Management fee	9822	190	153*

\*Note that the additional pension contributions will be paid to Derby Homes when the contribution figure is determined

Maintenance fee	Core fee ('000s)	Service Charge ('000s)	Set aside within HRA ('000s)
16/17 Maintenance fee	15598	859	
Inflation	156	9	
Apprentice levy	49		
Stock loss/ adjustment	(62)		
Service charge increase		159	
Pension contribution allowance set aside			140*
17/18 Maintenance fee gross	15741	1027	140*

\*These sums will be paid to Derby Homes when the final pension contribution figure is determined.

- 4.11 The proposed capital programme for 2017/18 to 2019/20 is set out below. Approved new scheme acquisitions will be brought into programme as they become live. The investment requirement for major works will be re-informed by the proposed stock condition survey.

Title	2017/18	2018/19	2019/20
<b>Major works</b>			
Kitchens and Bathrooms	£2,500,000	£2,500,000	£2,500,000
Disability Adaptions	£750,000	£765,000	£765,000
Estates Pride – General	£650,000	£250,000	£250,000

PVCU Windows & Doors	£1,000,000	£1,000,000	£1,000,000
Capital Salaries Mods Liaison	£550,000	£500,000	£500,000
One-off Mods/Major Refurbishments	£750,000	£750,000	£750,000
Re-Roofing	£600,000	£800,000	£1,000,000
Communal Door Entry Systems	£50,000	£50,000	£50,000
New & Replacement Central Heating	£1,600,000	£1,600,000	£1,600,000
Rewiring/Electrical Upgrades	£250,000	£250,000	£250,000
Solid Wall Installation	£500,000	£0	£0
Passenger lift replacement	£70,000	£0	£0
Emergency call system replacement	£250,000	£0	£0
Rivermead flats new heating installations	£450,000	£0	£0
<b>New Build and Acquisitions</b>			
The Knoll NB	£1,500,000	£1,500,000	£0
New Build and Acquisitions	£500,000	£500,000	£500,000
Perth Street NB	£1,000,000	£0	£0
Richmond Road	£180,000	£0	£0
Berwick Close	£145,000	£0	£0
<b>Total HRA</b>	<b>£13,295,000</b>	<b>£10,465,000</b>	<b>£9,165,000</b>

## OTHER OPTIONS CONSIDERED

- 5.1 Other options are possible but the proposed Plan has been the subject of rigorous scrutiny and options appraisal, and is recommended as the most sustainable way forward.

This report has been approved by the following officers:

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Estates/Property officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Olu Idowu Amanda Fletcher David Cox Ian Fullagar Greg Jennings Ian Fullagar, David Enticott
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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications

<b>IMPLICATIONS</b>
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**Financial and Value for Money**

- 1.1 Contained within the report

**Legal**

- 2.1 The Council is required to set a balanced budget for its Housing Revenue Account and ensure that costs are charged appropriately to either the HRA or to the General Fund.

**Personnel**

- 3.1 None arising from this report

**IT**

- 4.1 None arising from this report

**Equalities Impact**

- 5.1 Many of the Council's tenants belong to the Council's equality target groups. There are many equality initiatives throughout the Plan.

**Health and Safety**

- 6.1 None arising from this report

**Environmental Sustainability**

- 7.1 Several environmental initiatives are included within the HRA business plan such as improving thermal efficiency, installation of modern energy efficient heating systems and the construction of new homes to modern thermal efficiency standards.

**Property and Asset Management**

- 8.1 A bespoke Asset Management plan underpins the HRA maintenance and investment programmes.

**Risk Management**

- 9.1 Risks are managed through a number of Council and Derby Homes governance Boards. Officers from the City Council and Derby Homes will continue to examine the assumptions within the Business Plan, in particular taking on board outputs from the review of the stock condition data and depreciation allowances.

**Corporate objectives and priorities for change**

- 10.1 The delivery of the HRA Business Plan will assist the Council to achieve its key



strategic outcomes set out in the Derby Plan 2011 – 2026.