Appendix 8

Housing Revenue Account Business Plan

Introduction

1.1 The slides summarise the following issues:

- a brief recap of the change made in 2012 when 'self financing' for HRA Business Plans came in
- the changes made in the 2015 budget and the impact that those changes had
- the recent changed emphasis in government policy and potential impacts that these might have.

1.2 The HRA Business Plan is set over a future 30 year period and has to have a positive reserve and stay within the Debt Cap of £238.6m established in 2012. The account is in essence a simple one with rent and service charge income having to meet the costs of providing Council housing which include management, maintenance, major repairs, new homes and debt charges (interest on loans) incurred in providing those homes.

1.3 The 2012 'self financing' regime was set up with sufficient funding to enable existing properties to be maintained into the future and the options to repay debt or to replace homes lost to the Right to Buy, and effectively enabled this for the first three years 2012-2015. Major changes to policy in 2015 restricted rents which had the previous year been set for ten years at CPI plus 1% a year to -1% a year for 2016-2020, making the task of balancing the plan much more difficult than it had been previously.

Background

2.1 Council rents remain considerably lower than market rents offering excellent value for money. Derby Homes benchmarks its costs against similar providers using independent providers (Housemark) and is upper quartile in many cost areas. Copies of those reports can be obtained from Derby Homes or accessed on their website.

2.2 The HRA is legally ring fenced and only specified costs of operating Council housing can be charged to it. The HRA has to remain in positive balance and with debt not exceeding the debt cap for the authority.

2.3 Derby Homes has recently changed its core housing management system in order to reduce costs and works closely with the Council on all IT platforms.

2.4 The reduction in rents has reduced costs for those tenants meeting their own rent and service charges, but has reduced the availability of funding for services to support those tenants including new homes by more as the majority of the reduced income goes to reducing the overall amount of housing benefit claimed.

2.5 The current HRA Business Plan does not plan for any sales beyond the statutory requirement to sell under the Right to Buy, which is currently running at 1.3% a year. Total stock now stands at around 13,000 compared to the peak of 26,000.

2.6 The HRA has its own risk register which is scrutinised between the Council and Derby Homes twice a year. The highest risks currently relate to Higher Value Sales and Rent policy beyond 2025. The recent announcement of CPI plus 1% increases in rents from 2020 to 2025 has helped to give reassurance about future rent increases after the rent cuts until 2020.

2.7 One of the Council pledges is to deliver 500 affordable homes over three years. The Council and Derby Homes are planning to contribute around 180 of those homes with the balance coming from other Registered Providers.