
REPORT TO:	HOUSING AND COMMUNITY SERVICES COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	22nd April 2010	CATEGORY: DELEGATED / RECOMMENDED
REPORT FROM:	Mark Alflat – Director of Community Services	OPEN
MEMBERS' CONTACT POINT:	Bob Ledger	DOC:
SUBJECT:	Housing Revenue Account (HRA) Business Plan	REF:
WARD(S) AFFECTED:	All	TERMS OF REFERENCE: HCS01,

1. Recommendations

- 1.1 To approve the preparation of an up to date Housing Revenue Account (HRA) Business Plan.
- 1.2 To approve that a joint stakeholder group be appointed to oversee the preparation of the HRA Business Plan to comprise three councillors, three tenants and three staff. Councillor nominations to be agreed in the proportion of two (ruling group) and one (opposition group) to be nominated by the respective group leaders.
- 1.3 That a recommendation be made to the Finance and Management Committee that an external consultant be appointed to assist in the preparation of the plan and provide specialist best practice advice. A budget of £15,000 to be agreed for this purpose.

2. Purpose of report

- 2.1 To seek approval from members for the preparation of an up-to-date Housing Revenue Account Business Plan and the process for producing the plan.

3. Proposal

- 3.1 An HRA Business Plan is required to fully outline the opportunities and pressures on the service, to give strategic direction and to project the business into the future.
- 3.2 It is a government requirement that the Housing Revenue Account has it's own Business Plan. Irrespective of that it is good practice for the Council to have such a plan given that:
 - The HRA is a legally separate part of the Council operation with a current annual turnover of £10m.
 - The complexity of Housing finance, especially that part relating to Council contributions to the government pool and the implications of prudential borrowing.

- The need to reflect, in an auditable way, tenant aspirations in the term of the plan.
- The need to maintain the property standard to as high a level as possible when the future spending requirement far exceeds the likely resources available.

3.3 The last HRA Business Plan was approved by Government Office in 2006. In terms of the age of the current plan alone it needs updating but that need is further accentuated by the funding shortfall currently projected on the HRA. The Head of Housing with external financial consultancy support prepared the previous plan. However the process was overseen and directed by a joint stakeholder group made up of councillors, tenants and staff. This worked well and the process has been mirrored in our Stock Option appraisal of 2008/9 and the current Supported Housing Review. It is therefore proposed to repeat this format in order to ensure that the three main stakeholder groups each have an input. It is also proposed that wider consultation with residents also be developed in preparation of the plan; to include information in the quarterly Housing newsletter as well as a 'plan for the future' event that would seek to identify tenant priorities for investment.

3.4 Although the need for a new HRA Business Plan has been recognised for a while, work on a new plan has been deferred given that our Stock Options process and then the Government's national HRA finance review were underway i.e. there is limited merit in writing a plan when the future status of the service was in doubt. Although, to some extent, this is still the case it is now considered that a plan is needed to be able to properly map out the future business direction for the service irrespective of other issues which may or may not subsequently impinge upon the plan.

3.5 Housing finance is a complex area of work. The current system of payment by the local authority to the national pool (known as negative subsidy), the possibilities around prudential borrowing and the latest developments in the proposed move away from the revenue subsidy system in return of a one-off capital payment and taking on of debt, are only fully understood by the few.

3.6 The previous two HRA Business Plans have been written utilising external financial expertise i.e. there is precedent for such external support at a time when the service, in financial terms, was more viable than now. In 2005 the external support was provided by AWICS and in 2002/3 by Penningtons. It is envisaged that up to 20 days of external support would be needed in preparation of the plan and that at the current rate this is likely to cost in the region of £15,000. It is therefore proposed that a budget of £15,000 be approved and be taken from current HRA balances.

4. Corporate implications

4.1 Having effective and up to date financial plans is clearly important to the Council in terms of its successful operation but also in how well we are regarded in external audits and reviews. As a key part of Council operations the Housing Revenue Account needs a detailed strategic plan that outlines its priorities over an initial five-year planning period but also looking further over a 10 and 30-year period.

4.2 The Director of Corporate Services supports the proposal that external financial expertise would benefit the viability of the resultant plan.

5. Community implications

- 5.1 Including tenants in the stakeholder working group would be in line with best practice in this area. The new Housing regulator (the Tenant Services Authority took over inspection of the Housing Management function from the Audit Commission on the 1st April 2010) would certainly want to see an up to date plan in any future inspection and how tenants have been meaningfully engaged in preparation of the plan.
- 5.2 Current and future tenants have an expectation and right that their landlord will manage the resources available to it well and in the best interests of the HRA now and into the future. Preparation of an up to date HRA Business Plan would be a key part in meeting that need.

6. Financial implications

- 6.1 The work in preparation for the business plan is likely to involve around 20 consultancy days support.
- 6.2 The current market rate for good consultants working in the proposed area is around £750 per day plus expenses, although it is envisaged that buying a number of days “in bulk” will reduce the standard rate. It is proposed that a budget of £15,000 be approved to fund the appointment and that it be to be financed from HRA balances. Prices from three reputable companies will be sought and the final appointment is proposed to be made by officers in conjunction with the Chairman of Housing and Community Services.