
Report to: Council

Date of Meeting: 9th February 2017

Subject: Housing Revenue Account (HRA) Financial
Business Plan 2013 – 2018

Report by: Head of Housing & Community Safety

1.0 Purpose

- 1.1. To set the budget and rent levels for the Housing Revenue Account for 2017/18, based on the Housing Revenue Account (HRA) Financial Business Planning Model 2013 – 2018, and the consultation that has been completed with tenants and their representatives.

2.0 Recommendations

- 2.1. Members are asked to approve:

2.1.1 the revenue budget set out at appendix 1 based on the HRA business plan

2.1.2 the capital budget as detailed at appendix 2.

2.1.3 a 2% rent increase for 2017/18 to be applied across all HRA stock, including residential properties, lockups and garage sites.

2.1.4 a 2% increase for 2017/18 to be applied to all HRA related service charges.

- 2.2. Members are also asked to note:

2.1.5 the responses received following HRA Business Plan consultation activity (appendix 4)

2.1.6 that the balance of HRA uncommitted reserves will be maintained at 4% of rental income in line with the Business Plan.

2.1.7 That a new financial business plan will be prepared during 2017 to cover the period 2018-2023.

3.0 Rent setting

- 3.1. 2017-18 is the final year of the five year business plan approved in 2013. Every year since then the annual budget review has followed the recommendations made in that plan. To assist with this year's review a new financial modelling tool was developed by Capita, the treasury management

consultants. This model will ensure that the budget decisions made support the long term viability of the Council's housing revenue account.

- 3.2. Various scenarios were tested using the model. On the basis of that scenario planning, and the consultation, it is recommended that to support the revenue (appendix 1) and capital (appendix 2) expenditure a 2% increase based on the current retail price index (RPI) is applied. This is in line with the original business plan projection. It is felt that this strikes a balance between ensuring long term strategic objectives can be met, whilst keeping rents affordable.
- 3.3. Using the Scottish Housing Regulator's comparison tool, current rents have been compared to those of local Registered Social Landlords (RSLs) and neighbouring authorities. This comparison is shown at appendix 3. It can be seen that the rents tend to be slightly ahead of those of the neighbouring local authorities but lower than the RSLs.
- 3.4. This increase results in an average 48 week rent of £77.36; or £71.41 when calculated over 52 weeks. The full schedule of rent charges is set out in table 1.

Table 1: Current and Proposed Rents

House	2016/17	2%Increase	2017/18
1 Apartment	£72.47	£1.45	£73.92
2 Apartment	£74.23	£1.48	£75.71
3 Apartment	£76.03	£1.52	£77.55
4 Apartment	£77.56	£1.55	£79.11
5 Apartment	£79.49	£1.59	£81.08
6 Apartment	£81.43	£1.63	£83.06
Flat			
1 Apartment	£71.15	£1.42	£72.57
2 Apartment	£72.84	£1.46	£74.30
3 Apartment	£74.65	£1.49	£76.14
4 Apartment	£76.27	£1.53	£77.80
5 Apartment	£78.17	£1.56	£79.73
Average rent	£75.84	£1.52	£77.36
Lock up	£7.20	£0.14	£7.34
Lock up plus VAT	£8.64	£0.17	£8.81
Garage site (annual)	£81.69	£1.63	£83.32

- 3.5. Work will begin soon on a new HRA Financial Business Plan to cover the next five year period. It is intended to fully consult with tenants and the Clackmannanshire Tenants' and Residents' Federation on this and it is expected that the Federation will engage independent professional advisers to assist them review the new plan proposals. The intention is to submit the new plan to the Council in the autumn of 2017.

4.0 Consultation

- 4.1. Consultation on the proposed rent levels was undertaken during December using a variety of methods. A summary of the results is included as appendix 4. As well as a postal survey sent to every tenant, callers to the

office were asked for views. In total 400 responses were received. From that survey: -

- 70% agreed the rent they pay represents good value for money
- 65% agreed the proposed rent charged is affordable

4.2. The budget was also discussed with the Clackmannanshire Tenants and Residents Federation (CTRF) and it supports the proposed rent structure.

5.0 Variances against Business Plan.

5.1. The main variations against the current business plan are set out in table 2, below.

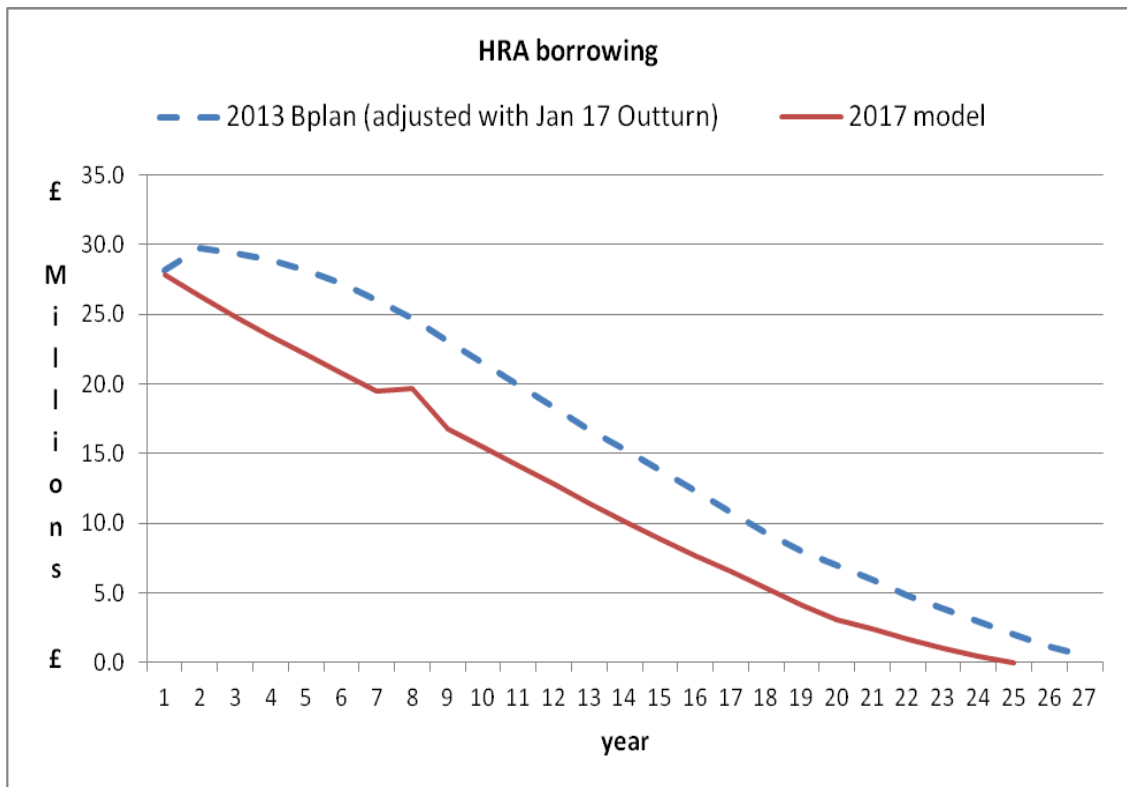
Table 2: Variations on Business Plan Projections.

	Business Plan to Out-turn 2016-17	Business Plan v budget 2017-18	Comments
	£'000	£'000	
Repairs & Maintenance	402	680	Repairs and maintenance costs increased following the integration of the former PCU into the housing service. The craft agreement added additional wage costs. For 2017/18 projected void expenditure has been returned to 2015/16 levels reflecting actual costs incurred this year.
Supervision & Management	(651)	(12)	Wage costs have been running well below budget due to the holding of vacancies pending the restructuring of the service. Costs for the coming year have allowed for completion of that restructuring, including the reintegration of revenues staff to the service (and so reducing the central recharge costs). An additional allowance has been included to develop expanded services should these be required, following appropriate consultation and the necessary approvals.
Capital Financing Costs	(110)	(312)	Financing charges have reduced due to increased surplus funding the capital investment, resulting in a lower borrowing requirement.
Total Expenditure	(374)	384	
Income	260	237	The business plan projected a loss of only 45 houses through RTB sales, and an increase of 125 through new build and acquisitions. However 142 properties were sold, with a further 11 lost to demolition / remodelling. That was offset by the 156 properties added to stock over the business plan. This has resulted in a net gain of 3 properties.
(Surplus) / Deficit	(114)	621	The financial modelling that has been undertaken confirms that this increase over projected costs can be supported.

6.0 Capital Programme

- 6.1. The HRA Capital investment programme is detailed at Appendix 2
- 6.2. During 2017/18, the focus is again on ensuring ongoing compliance with the Scottish Housing Quality Standard, (SHQS), as well the requirements of the new Energy Efficiency Standard for Social Housing (EESH) to be achieved by 2020. The total proposed capital spend is £9.9M including a carry forward budget of £1.5M from 2016/17. It should be noted that the majority of the capital programme is funded from revenue (CFCR), and that there is no borrowing drawdown in advance of requirements.
- 6.3. Major investment is proposed in the external fabric of the properties, in particular roofs and render. The budget for this work is £2.627M, including £0.527M carried forward from 2016/17. This carry forward is required due to delays caused by negotiations required with owner occupiers and private landlords.
- 6.4. It is intended that a further £1.8M will be invested in the window replacement programme. Another £1.365m is required for a kitchen replacement programme. The replacement heating programme will continue with 350 new systems being installed in 2017/18, at a cost in the region of £ £0.8M. £0.8M will also be invested in a programme of electrical safety checks.
- 6.5. A £0.125m budget has been allocated to replace fencing, gates and paths, to continue to meet the 'Heathy, Safe and Secure' component of the SHQS. A budget of £0.125m has also been allowed for common entrance door and communal area upgrades. All such works will involve consultation with colleagues and residents. The tenant improvement fund is also continued to allow Housing Officers to identify and recommend work required to improve their areas, and a capital budget for roads and footpaths has been set to contribute to any works required to HRA owned roads and footpaths.
- 6.6. As well as investment in the housing stock, budgets have been identified to continue to continue to add units to the stock. It is proposed that the forecast of £0.987M residual budget available from the 2016/17 Off the Shelf acquisition programme be carried forward for additional purchases this year. This budget was identified to ensure that the Council met its affordable housing grant spend target, but was not all required in 2016/17 due to the considerable increase in RSL activity.
- 6.7. It is further proposed to transfer into 2018/19 the budget allocation for the development of The Orchard, Tullibody. This will allow consideration to be given as to how this site can contribute fully to the corporate redevelopment proposals for this area.
- 6.8. The HRA Capital Programme will be funded by the budgeted surplus from revenue of £5.103m, and £4.837m of borrowing. This will leave the HRA unallocated reserve balance of £736k (4%) at the end of 2017/18.
- 6.9. Due to the increased surpluses in recent years, the borrowing required to support this programme is less than the £35M ceiling set out in the business plan, as shown in chart 1, below.

Chart 1: HRA projected borrowing



7.0 Conclusions and Business Plan 2018-23

- 7.1. It can be concluded that the business plan for 2013-18 will be successfully delivered. The main commitments with regard to stock maintenance and improvements have been met, in particular the Clacks standard and the Scottish Housing Quality Standard. Significant steps have also been made towards meeting the new 2020 EESSH. More units have been added to the housing stock than projected, although this was more than offset by the unforeseen rise in right to buy sales. Tenant satisfaction is at the highest levels recorded. A major staff restructuring is nearing completion and improvement in most of the key indicators can be demonstrated.
- 7.2. Projected revenue expenditure of £13.9m at the end of the five year period is likely to be within 3% of the business plan projection of £13.5M. Income is within 1.5% of the projected figure. (£18.997m compared with £19.234m in the Business Plan).
- 7.3. Projections for the five year period from 2018-19 are likely to be more uncertain. Whilst right to buy has ended, restrictions to benefits, and the roll out of universal credit planned from 2017 are likely to adversely affect income collection and possibly increase staffing costs.

8.0 SUSTAINABILITY IMPLICATIONS

- 8.1. The sustainability implications of this report are comprehensively positive in terms of community participation, the local economy, energy efficiency, the environment, asset management and human resources.

9.0 RESOURCE IMPLICATIONS

9.1. Financial

- As set out in the report.

9.2. Staffing

- As set out in the report.

10.0 DECLARATIONS

10.1. The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please tick)

The area has a positive image and attracts people and businesses	<input checked="" type="checkbox"/>
Our communities are more cohesive and inclusive	<input checked="" type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input checked="" type="checkbox"/>
Our communities are safer	<input checked="" type="checkbox"/>
Vulnerable people and families are supported	<input checked="" type="checkbox"/>
Substance misuse and its effects are reduced	<input checked="" type="checkbox"/>
Health is improving and health inequalities are reducing	<input checked="" type="checkbox"/>
The environment is protected and enhanced for all	<input checked="" type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

(2) **Council Policies** (Please detail)

11.0 EQUALITIES IMPACT

11.1. Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

12.0 LEGALITY

13.0 In adopting the recommendations contained in this report,

Yes

the Council is acting within its legal powers

14.0 Appendices

14.1. Please list any appendices attached to this report. If there are no appendices, please state "none".

1. Revenue budget

2. Capital Budget
3. Rent comparisons
4. Consultation responses

15.0 Background Papers

15.1. Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered).

Yes (please list the documents below)

No

Housing Revenue Account (HRA) Financial Business Planning Model for Clackmannanshire Council Housing 2013 – 2018 (June 2013)

Author(s)

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Approved by

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A Khan	Head of Service	Signed: A Khan
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Appendix 1: Summary HRA 2017/208 Budget

COST CENTRE SUMMARY	Original Business Plan	2016-2017 Forecast	2017-2018 Budget	Variance Original v Budget
Repairs & Maintenance				
Private Contractors	377,000	178,000	295,000	(82,000)
Void Houses	1,142,000	36,000	42,000	(1,100,000)
General Maintenance	2,320,000	(15,000)	(14,000)	(2,334,000)
Cyclical Maintenance	732,000	0	0	(732,000)
Property Factors	0	(19,000)	(25,000)	(25,000)
Gas Contract	388,000	11,000	11,000	(377,000)
Property Contracts	0	5,120,000	5,352,000	5,352,000
Minor SW Repairs	22,000	0	0	(22,000)
	4,981,000	5,310,000	5,661,000	680,000
Supervision & Management				
Employee Related Expenditure	1,860,000	1,847,000	2,411,000	551,000
Premises, Transport, Supplies & Services	265,000	162,000	176,000	(89,000)
3rd Party Payments	464,000	66,000	83,000	(381,000)
Central Support	1,176,000	978,000	1,084,000	(92,000)
Democratic Core	106,000	110,000	105,000	(1,000)
	3,871,000	3,163,000	3,859,000	(12,000)
Capital Financing Costs				
Interest Payments	1,564,000	1,461,000	1,457,000	(107,000)
Loans Fund Expenses	36,000	31,000	29,000	(7,000)
Principal Repayments	1,730,000	1,636,000	1,533,000	(197,000)
	3,330,000	3,128,000	3,019,000	(311,000)
Other Expenses				
Insurance, Stair Lighting, Voids & Council Tax	996,000	899,000	960,000	(36,000)
Garden Aid Scheme + Land Maintenance	172,000	179,000	180,000	8,000
Special Uplifts	124,000	167,000	167,000	43,000
Pest Control	14,000	26,000	26,000	12,000
	1,306,000	1,271,000	1,333,000	27,000
TOTAL EXPENDITURE	13,488,000	12,872,000	13,872,000	384,000
INCOME				
Rents & Interest on Revenue Balances	(19,234,000)	(18,416,000)	(18,997,000)	237,000
NET EXPENDITURE	(5,746,000)	(5,544,000)	(5,125,000)	621,000

Appendix 2: Housing Revenue Capital Budget

Housing Revenue Account Capital Programme Budget	Amended Budget 16/17	Carry forward from 16/17	Amended Budget with C/F 17/18	Amended Budget 18/19
Scottish Housing Quality Standard				
Primary Building Elements				
Structural Works	150,000		150,000	150,000
Total Primary Building Elements	150,000	0	150,000	150,000
Secondary Building Elements				
Damp Proof Course and Rot Works	100,000		70,000	70,000
Roof, Rainwater & External Walls	2,527,000	527,000	2,627,000	2,590,000
External Doors	10,000		10,000	20,000
Windows	1,819,000		1,800,000	1,800,000
Total Secondary Building Elements	4,456,000	527,000	4,507,000	4,480,000
Energy Efficiency				
Fuel Efficient Central Heating	1,854,000		800,000	1,000,000
Bowmar Community Energy Savings Programme	183,000		0	0
Home Energy Efficiency Programme Area Based 2015-16 (HEEPS)	355,000			
Home Energy Efficiency Measures	250,000		500,000	0
Total Energy Efficiency	2,642,000	0	1,300,000	1,000,000
Modern Facilities & Services				
Kitchen Renewal	263,000		1,365,300	65,000
Bathroom Renewal	50,000		50,000	65,000
Total Modern Facilities & Services	313,000	0	1,415,300	130,000

Housing Revenue Account Capital Programme Budget	Amended Budget 16/17	Carry forward from 16/17	Amended Budget with C/F 17/18	Amended Budget 18/19
Health Safe & Secure				
Safe Electrical Systems	300,000		800,000	350,000
External Works: Fencing, Gates & Paths	125,000		125,000	125,000
Secure Door Entry Systems	205,000		125,000	145,000
Total Health Safe & Secure	630,000	0	1,050,000	620,000

NON SHQS ELEMENTS				
Disabled Adaptation Conversions	50,000		50,000	50,000
Construction Design Management	20,000		20,000	20,000
The Orchard, Demolition	0			0
New Build Tilly Community Centre Phase 1a	119,000		0	0
New Build Tilly Community Centre Phase 1b/OTSP Refurbishment	193,000			
New Build Tilly Community Centre Phase 2	20,000			
Hallpark, Sauchie 25 Units	35,000		0	0
Fairfield, Sauchie 19 Units	516,000	31,000	31,000	0
Demolition - The Orchard	2,000			
The Orchard, Tullibody 12 Units	828,000		0	828,000
Off the Shelf Purchase	1,300,000	987,000	987,000	0
Off the Shelf Refurbishment	230,000			
Tenant Community Improvement Fund	268,000		200,000	200,000
Miscellaneous Conversions & Adaptations	50,000		50,000	50,000
HRA Roads & Footpath Improvements	112,000		100,000	100,000
External Lead Pipe Replacement			20,000	20,000
Housing Business Management Enhancements	60,000		60,000	0
	0		0	0
Total non-SHQS elements	3,803,000	1,018,000	1,518,000	1,268,000
TOTAL CAPITAL PROGRAMME	11,994,000	1,545,000	9,940,300	7,648,000
Income				
House Sales	(240,000)		0	0
Scottish Government Housing Supply Grant				
Total Income	(240,000)	0	0	0
NET CAPITAL PROGRAMME	11,754,000	1,545,000	9,940,300	7,648,000

Appendix 3 – rent comparisons 2015/16



Landlord Report

How your landlord told us it performed in 2015/2016

2015/2016 Response

Indicator Click graph to open	Clackmannanshire Council	Average of compared landlords	Difference from this average	Select up to 4 landlords to compare				
				Ochil View Hous	Paragon Housin	Stirling Council	Falkirk Council	
Homes and rents								
Total number of homes	+	4,968	6,186	1,218	1,355	1,396	5,626	16,369
Total rent due to be collected	+	£16,777,089	£19,504,649	£2,727,560	£5,283,169	£5,188,664	£17,645,831	£49,900,933
Percentage average weekly rent increase to be applied	+	3.5 %	2.3 %	1.2 %	2.6 %	2.0 %	1.0 %	3.6 %
Total number of 1 apartments	+	27	27	0	7	8	25	69
Average weekly rent for 1 apartments	+	£63.81	£42.28	£21.53	£61.97	£55.70	£53.65	£35.32
Total number of 2 apartments	+	1,344	1,100	244	349	152	1,293	2,605
Average weekly rent for 2 apartments	+	£65.53	£53.51	£12.02	£68.88	£61.68	£60.63	£47.70
Total number of 3 apartments	+	2,227	3,054	827	570	678	2,308	8,659
Average weekly rent for 3 apartments	+	£67.22	£60.11	£7.11	£75.31	£68.43	£62.79	£57.74
Total number of 4 apartments	+	1,236	1,798	562	402	515	1,739	4,534
Average weekly rent for 4 apartments	+	£68.92	£67.56	£1.36	£81.06	£78.49	£65.31	£65.98
Total number of 5 apartments	+	134	208	74	27	43	261	502
Average weekly rent for 5 apartments	+	£70.85	£73.90	£3.05	£83.28	£92.36	£67.01	£75.40

Appendix 4: Tenant consultation

Background

1. During November and December 2016 tenants were consulted on the proposed rent increase. Over 400 responses were received. A survey was posted to every Council Tenant. It was also shared with Tenant groups, and made available on Clacksweb. Officers also asked callers to Home@Clacks and offices in Alva and Clackmannan to complete the consultation questions. The use of the offices also allowed for prospective tenants to give their opinion.
2. 96% of respondents were Council tenants, which represents approximately 8% of the tenant base. Other respondents were a mix of private sector tenants, Housing Association tenants and owner occupiers.

Results

3. The results of the consultation are set out in the table below:

Question	Strongly Agree / Agree	Strongly Disagree /Disagree	No preference	Not answered
We propose that rent is increased by 2%. On average, this means an increase of £1.52 per week. Do you think the rent you pay represents good value for money?	70%	22%	7%	1%
Do you think the rent charged by Clackmannanshire Council is affordable?	65%	25%	9%	1%
Currently, we charge rent over 48 weeks with 4 charge free weeks during the year. If rent is charged over 52 weeks, this would result in a lower weekly rent charge. Would you like to pay your rent over 52 weeks?	33%	58%	-	9%
We do not currently have a large variation in rent charges, no matter the size of the property. We would like you to tell us if we should review the way we charge rent for different sizes of properties. Do you think the Council should review how we charge rent for different sizes of properties?	67%	27%	-	6%

