
Report to: Housing Health and Care Committee

Date of Meeting: 5 November 2015

Subject: HRA Financial Business Plan Review and Rent Increase Consultation Process

Report by: Head of Housing & Community Safety

1.0 Purpose

- 1.1. This report presents an update to Committee on the current position of the Housing Revenue Account (HRA) Financial Business Planning model 2013 - 2018.

2.0 Recommendations

- 2.1. Members are asked to:

2.1.1. Note the proposals to consult on the rent increase for 2016/17.

2.1.2. and to note the remainder of the report commenting and challenging as appropriate.

3.0 Background

- 3.1. In June 2013, Council approved the HRA Financial Business Plan model 2013 - 2018. In this model a number of assumptions were made. These are detailed in the table below.

Category	Assumption
Inflation	September 2012 (RPI) rate of 3% used.
Rent Increases	RPI+1% for 2014/15, RPI+0.75% for 2015/16, RPI+0.5% for 2016/17 then RPI thereafter for the remaining period (2017/18 onwards).
Capital Programme	As indicative budget (Special Council, February 2013) then increased by RPI from year 7 onwards (2019/20).
Repairs and Maintenance and Other Expenses	2014/15 inflated in line with RPI then half RPI ongoing.
Supervision and Management	Based on 3 year budgets to 2015/16 then half RPI thereafter.
Working Reserve Balance as %	No lower than 4% using CIPFA guidance.

of Rental Income	
New Socially Rented Housing	605 over 30 years (assumes continuing Government grant support).
Borrowing	In line with the treasury management strategy, borrowing to remain relatively flat and not to exceed £35m.

4.0 Current position

Revenue expenditure

- 4.1. At present, the HRA Business Plan is on course to deliver as anticipated in the model. Rent increases in 2014/15 and 2015/16 were applied in line with the model and budgets set accordingly. At the end of 2014/15 the Business Plan was updated with the actual outturns to adjust the projections from 2015/16 where the expected surplus for 2015/16 was adjusted to £4.9m. The August 2015 outturn for the HRA shows a favourable position as the surplus is £135k more than projected in the Business Plan.

Capital Expenditure

- 4.2. The Capital Programme is expected to outturn £1.1m less than anticipated at the end of 2015/16. The Capital Programme is reviewed year on year and the agreed programme for 2015/16 is progressing well.
- 4.3. In the short term the HRA is in a strong position as the increase in surplus will be applied to the funding of the Capital Programme. The level of house sale applications has increased during the year so far. Any increase in income from house sales will also be applied to the funding of the Capital Programme.
- 4.4. During each year, around 500 stock condition surveys are carried out to monitor the condition of the properties. Improvements are only carried out to properties if they are required. The stock condition surveys help to identify where investment is required. Based on the information from the stock surveys the main projects to be considered from 2018 onwards will be roof and render upgrade, replacement central heating boilers and replacement windows.
- 4.5. The current achievement level for the Scottish Housing Quality Standard is 97%. This is an improvement on the start of the year and this has been due mainly to both the kitchen replacement programme and our secure door entry programme upgrading common entrances. Maintaining this level may become an issue as a lot of the upcoming work involves owners making a contribution to the cost of the work, for example roofs held in common ownership. This was highlighted as a significant risk to the delivery of the Business Plan in June 2013.

5.0 Debt

- 5.1. When the business plan was approved by Council in 2013 debt at the end of 2014/15 was expected to be £33.7m. Debt was £29.3m at the year end. This represents an improvement of £4.4m and has reduced borrowing costs. The unexpected increases in revenue surplus and income from house sales will reduce the need for borrowing and the level of debt carried by the HRA.

- 5.2. The original plan included new build throughout and assumed 3% inflation, and envisaged that by 2043 the HRA would still have total borrowing of £7m. As the HRA has only borrowed recently to develop new build, then with the proposal to remove new build from 2018, the HRA will have no outstanding borrowing at the end of the current business plan (2043). By year 2029 the HRA will hold more in reserves than it will have in outstanding debt.

6.0 Rent increase 2016/17

- 6.1. The figures above reflect some improvement in the financial position against the original business plan. However, as the capital programme was fixed to 2018, and with potentially significant unbudgeted expenditure on roof and render works, as well as improvements to energy efficiency standards, it is proposed that there should be no change to the current business plan proposals for rent increases. This would mean a proposed rent increase of 3.5%. (Sept 2012 RPI + 0.5%).
- 6.2. Tenants will be consulted on this proposal during November 2015. This will include information on Clacksweb and citizens space, a members briefing, sessions with registered tenants organisations and an open evening session for other tenants to come and give their views on the service and the rent increase proposal.
- 6.3. The consultation will also raise the question of the possibility of higher rents for properties that benefit from solar panels, and for consideration in future years of applying differential rent increases depending on the size of properties. As members are aware, there is currently relatively little difference in the rents charged for properties.

7.0 Financial Details

- 7.1. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes
- 7.2. Finance have been consulted and have agreed the financial implications as set out in the report. Yes
- 7.3. *Staffing*
- 7.4. There are no staffing implications arising from this report

8.0 Exempt Reports

- 8.1. Is this report exempt? Yes (please detail the reasons for exemption below) No

9.0 Declarations

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

- (1) **Our Priorities** (Please double click on the check box)

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

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

10.0 Equalities Impact

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

Yes

No

11.0 Legality

11.1. It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

12.0 Appendices

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

none.

13.0 Background Papers

13.1. 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

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Approved by

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