

To: City Executive Board
Council

Date: 8th February 2012
20th February

Report of: David Edwards, Executive Director, Housing and City Regeneration

Title of Report: HRA BUSINESS PLAN DRAFT FOR CONSULTATION - CEB
HRA BUSINESS PLAN DRAFT FOR CONSULTATION - COUNCIL

Summary and Recommendations

Purpose of report: To advise CEB of the public consultation on the draft HRA business plan and to advise the latest funding position and to RECOMMEND Council to adopt the HRA Business Plan into the Budget and Policy Framework

Key decision? No

Executive lead member: Cllr Joe McManners

Policy Framework: Corporate Plan, Housing Strategy, Asset Management Plan, Regeneration Framework, Core Strategy.

Recommendations:

CITY EXECUTIVE BOARD

1. To note the outcome of the consultation
2. To note the latest draft HRA business plan which reflects an improved Treasury funding framework, prior to the final plan being submitted to full Council.

COUNCIL

To adopt the HRA Business Plan into the Council's Budget and Policy Framework, noting that some editorial and financial adjustments may need to be made before the Plan takes effect on 1st April 2012.

Background

1. The existing Housing Revenue Account (HRA) subsidy regime will end on 31st March 2012. The financial risk, control and responsibility for council housing will revert to Local Authorities in exchange for a final capital settlement arrangement. Councils in notional surplus HRA positions, such as Oxford City, will be required to make a final capital payment to DCLG to buy the Council out of the current system. The HRA Business Plan has been prepared to ensure OCC has a sustainable and robust HRA in the new self-financing regime from 1st April 2012. The latest draft version is attached (Appendix 1), but this will not be finalised until it is submitted to full Council and the final Treasury arrangements associated with the borrowing needed to buy us out of the existing system are confirmed.
2. A series of five resident engagement road shows were held in November-December 2011. This provided an opportunity for the Council to consult both tenants and leaseholders on their priorities to inform the draft HRA business plan

Consultation

3. The events were held in five locations across the City: Wood Farm, Barton, Rose Hill, Blackbird Leys and the Town Hall. Whereas we anticipated the estate based events would attract a local audience, the Town Hall event was aimed at attracting tenants and leaseholders from across the city. To publicise the events an A4 poster was included with 'Tenants view', sent to all tenants at the beginning of October. Two weeks before the first event a further A5 flyer along with a letter from the Head of Housing and Communities was sent to all tenants and leaseholders inviting them to the event. Finally, flyers and posters were delivered and displayed in all of the buildings and surrounding areas for each road show as well as general information appearing on the City Council website.
4. Teams from across the Council were invited with, attendance from Housing and Communities, Direct Services and Leisure and Parks. Other partners were invited to attend as well as representatives from the Tenants and Leaseholders Improvement Panel (IMP). To encourage tenants and leaseholders to participate in the consultation we offered entry to a prize draw for completing the survey. To attract young people to the event the Oxon Bus Company was hired, who supplied the youth bus and three youth workers. They worked with young people to create a video to capture their thoughts and feelings about their home and estate. There were also free refreshments and the opportunity to win a hamper for anyone who completed an event feedback form. Over 100 people attended the events, with 50 people completing the 'Tenant and Leaseholder – How do you want to get involved' survey.
5. At the road shows as part of a broader survey residents were asked three questions linked to the HRA business plan and invited to comment on the priorities already identified within it. These questions were:

- What work or improvements would you like to see undertaken within your home?
 - What work or improvement would you like to see undertaken to the communal areas of the block you live in or to the external environment where you live?
 - What improvement or changes would you like to see to the housing service the council provides (excluding repairs and maintenance)?
6. The results received were very positive. In the main, and of the 35 respondents to this question, tenants were pleased with the repair service they received. The improvement works they wished to see undertaken to their home form part of the Decent Homes standard, and in all cases either a new kitchen or bathroom. A small number of respondents did feel that the Decent Homes standard replacement times should be reduced (currently bathrooms 30 years and kitchens 20 years). Other responses were:
- Improved security to their home
 - Showers included in Decent Homes standard (saving water)
7. For communal areas, responses were, again, generally positive, with comments such as “happy where I live”. Suggestions made included:
- Improved block security to flats
 - Keeping gardens tidy
 - Cutting trees and bushes in land owned by Magdalene college (to discourage rats)
 - Play areas for children
8. Finally, in response to questions about the housing service, these were mixed, a number of positive comments, such as “happy with service” were made, but other comments included:
- Difficult to get through over the phone
 - Would like more information for leaseholders
 - Would like leaseholder forum to be reinstated
 - More help to elderly tenants, e.g. with fitting carpets
 - Why has my rent gone up so much?
9. The feedback from the tenant discussions has been incorporated in the business plan and will be included in the action plan taken forward.

HRA Business Plan

10. The attached plan is the latest working draft. The main adjustments relate to the refinement of the Treasury framework following confirmation from Government that the HRA capital payment on transfer will be £199.61m. The borrowing cap is set at c. £242m, which includes £23m historical HRA debt borrowed from the General Fund. This leaves borrowing headroom of c. £19m. The funding assumptions are summarised below:
- The average interest rate that has been applied to the self-financing debt figure of £199.61m is 3.74%. Although the actual rates will be influenced at the margin by the term of the loans and the rates prevailing at the time this is based on 0.5% higher than current cost of PWLB loans to allow for some uplift between now and 26th March 2012 when the borrowing will be procured.
 - The loans will be structured to provide for progressive repayment between 15 and 50 years.
 - All initial self-financing borrowing will be undertaken utilizing the PWLB preferential fixed rate facility.
 - There is no utilization of the available £19m borrowing headroom.
 - Right to Buy disposals have been profiled to result in a 10% reduction in the existing housing stock in the first 10 years of the BP e.g. 78 RTB sales per year. This may be a pessimistic view of the impact of the RTB consultation. Although the consultation itself has not completed the risk such changes could bring to the sustainability of the HRA BP need to be identified, evaluated and measured. We have brought in a significant reduction in property numbers in the early years of the BP to ascertain its robustness. From year 11 onwards RTB sales are included at 10 disposals per year.
 - £17.9m funding for HCA new build for 112 properties provided by March 2015, funded from HRA cash surpluses and HCA grant of £2.4m;
 - £60m of “additional” resources have been included from 2015/16 spread over the following 6 years for additional new affordable homes, such as Barton.
11. The lower PWLB borrowing interest rates, together with a planned redemption strategy allow us to fund our repairs and maintenance programme, including tower blocks, undertake the HCA development programme and have capacity to undertake additional new build, as at Barton without the need to use any of our £19m available borrowing headroom. The headroom is not required at present as there are no additional investments or development projects immediately available, and the discount on market rates only applies to the borrowing of the capital payment to DCLG.

Wider Implications

12. **Climate Change and Environmental Impact:** the improvements to the tower blocks will raise the energy efficiency standards of 400 homes. There is potential to improve further energy efficiency across the Council's housing stock.
13. **Equality Impact Assessment:** the continued provision of social rented affordable homes and the development of new affordable homes will benefit people on low incomes and vulnerable sections of society.
14. **Financial Implications:** there are none immediately at this stage. The consequent 2012/13 HRA budget will be reported to Council in February 2012.
15. **Legal Implications:** there are none at this stage.

Appendix to the report: Working Draft HRA Business Plan

Name and contact details of author:-

Name David Edwards Job title Executive Director, Service Area / Department City Regeneration and Housing Tel: 01865 252394 e-mail: dedwards@oxford.gov.uk
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List of background papers: None

Version number:1

Risk Register

RED RISK
CLOSED RISK

Risk ID	Risk						Corporate Objective	Gross Risk		Residual Risk		Current Risk		Owner	Date Risk Reviewed	Proximity of Risk (Projects/Contracts Only)
	Risk Title	Opportunity/Threat	Risk Description	Risk Cause	Consequence	Date raised		1 to 6	I	P	I	P	I			
CRR-000-CHCD	Universal Credit (P)	T	Reduction in benefits entitlement	Changes in Government policy	Increased tenant arrears	17.11.11	2	4	5	4	2	4	4	TP	Current	NA
CRR-000-CHCD	Housing Benefit payment (P)	T	HB payment changed from landlord to tenant	Changes in Government policy	Increased tenant arrears	17.11.11	2	4	5	4	2	4	4	TP	Current	NA
CRR-000-CHCD	Increased homelessness (E)	T	Increased homelessness	Economic context	Increased presentations and waiting list	17.11.11	1	4	4	4	2	4	3	TP	Current	NA
SRR-000-CHCD	Affordable rents policy (E)	T	Grant funding conditional on 'Affordable Rents'	Changes in Government policy	Less funding support and development	17.11.11	1	3	4	2	4	3	4	TP	Current	NA
CEB-000-CHCD	Right to Buy	T	Increased discounts for RTB	Changes in Government policy	Reduced stock and income	17.11.11	1	4	3	3	3	4	3	TP	Current	NA
CEB-000-CHCD	Tenant governance (P)	O/T	Need to overhaul tenant scrutiny and engagement	Lack of effective tenant participation	Poor tenant scrutiny/engagement	17.11.11	6	4	5	2	2	4	2	TP	Current	NA
SRR-000-CHCD	Local Offer	O/T	Local offer required	TSA regulation	Lack of regulatory compliance	17.11.11	2	4	3	2	2	4	2	TP	Current	NA
SRDR-000-CHCD	Residents profiles	O	Raise quality/coverage of resident profiles	Inadequate survey information	Less effective targeting of services	17.11.11	1	4	4	2	2	3	3	TP	Current	NA
SRR-000-CA	Renewals/repairs database	T	Lack of stock condition data assurance	Inadequate data and systems	Higher costs and poor workflow	17.11.11	1	5	4	3	2	4	4	SS	Current	NA
SRR-000-CA	Stock condition	T	Accurate stock condition data needed	Inadequate data and systems	Higher costs and poor workflow	17.11.11	6	5	4	3	2	4	4	SS	Current	NA
CEB-000-DS	Renewals/repairs costs	T	Current costs too high	City Services costs too high	Excessive costs	17.11.11	1	5	4	3	3	5	4	GB	Current	NA
CEB-000-CA	Tower block programme	T	Cost exceed programme	Additional works required	Additional costs	17.11.11	6	4	3	2	2	3	2	SS	Current	NA
SRR-000-CA	Green Deal	O	Funding for energy efficiency	Government programme announcement	Potential to access funding	17.11.11	1	4	3	2	2	4	3	SS	Current	NA
SRR-000-CHCD	Performance measures	O/T	Need to confirm indicators suite	Current indicators not comprehensive	Inadequate reporting	17.11.11	1	5	4	2	2	3	3	TP	Current	NA
CRR-000-FI	Treasury strategy	O/T	Interest charges and conditions	Market volatility	Increased finance risk/costs	17.11.11	1	5	3	3	2	3	3	NK	Current	NA
CEB-000-FI	Borrowing cap	T	Reduction in borrowing cap	Changes in Government policy	Inability to fund programme	17.11.11	1	4	3	3	3	4	3	NK	Current	NA
CEB-000-FI	Rent increase	T	Possible cap on future rent increases	Government regulation and high inflation	Lower income	17.11.11	1	4	2	3	2	3	3	NK	Current	NA
CEB-000-CA	Service charges	O	Potential to secure full tenant recharge	Policy to cap tenant charges	Failure to recover full service costs	17.11.11	1	3	5	3	3	3	4	SS	Current	NA
SRR-000-CHCD	Void	T	Increased incidence and extended void period	Reduction in benefits/change in benefit payment	Lower rental income	17.11.11	6	4	4	3	3	3	4	TP	Current	NA
SRR-000-CHCD	Bad debts	T	Increased bad debts	Reduction in benefits/change in benefit payment	Lower rental income	17.11.11	6	4	4	3	3	3	4	TP	Current	NA
CEB-000-CA	Tower block cost recovery	O	Potential to recharge part to leaseholders	Leaseholders unable to fund	Lower income	17.11.11	6	4	5	2	4	3	5	SS	Current	NA
CRR-000-CA	HCA programme delivery	T	Failure to deliver programme	Council capacity and land holdings	Non-delivery of affordable homes	17.11.11	1	4	4	3	2	4	3	SS	Current	NA
CEB-000-CA	Barton development	O	Potential for City Council to deliver affordable homes	Management and financial capacity	Lack of increase of Council stock	17.11.11	1	4	4	3	3	4	4	SS	Current	NA
CEB-000-CA	Estate regeneration	O	Potential for City Council to deliver affordable homes	Management and financial capacity	Lack of increase of Council stock	17.11.11	1	4	4	3	2	4	4	SS	Current	NA
CEB-000-CA	Energy efficiency and carbon reduction	O	Potential to support Low Carbon Oxford and reduce fuel poverty	Strategy required	Potential efficiencies and carbon reduction targets missed	17.11.11	1	3	4	2	3	2	4	SS	Current	NA
SRR-000-CA	Raise quality of stock renewal	O	Improve specification for bathroom and kitchen renewals	Strategy required	Potential to raise stock standards missed	17.11.11	1	2	4	2	3	2	4	SS	Current	NA

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