

**Housing Revenue Account (HRA) 30 Year Business Plan 2016-17**

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## **Foreword**

This business plan describes the ambitions and targets for future council housing investment and services over the next three years, and how what we do in the next three years might affect the long term health of the business plan over 30 years. I hope you will find the plan accessible and informative, and useful in helping to inform you of our priorities for council housing and how we have arrived at them.

Feedback from tenants and residents will be crucial to the ongoing development of this plan. It is tenants who live in the homes and neighbourhoods and tenants who use the services that this HRA Business Plan describes. We have listened to what tenants and residents have said over the past year, including at the Annual Tenants Conference, and through all our engagement routes.

Despite the significant reduction in forecast income over the life of the business plan we still intend to invest over £10m in the acquisition of new council housing over the next 3 years, which will assist us in providing housing to those citizens on our housing register. Over the next three years we also plan to invest over £75m in improvements to our housing stock. This includes commencing a programme to refurbish the communal areas of flats, completion of upgrades to District Heating systems and maintaining the Rotherham Decent Homes Standard.

Following the significant changes to government policy which affects the amount of money we have available to spend on council housing we will be entering into a conversation with our tenants about what the future Housing Service should look like.

We expect tenants to continue to play a key role in shaping the future of council housing investment and services. Whilst there will be fewer resources available there is great scope for tenants to influence this plan as we continue in this period of self-financing. I hope to see more tenants and residents getting involved in making choices that affect them so that council housing in Rotherham is able to continue delivering the outcomes we need for tenants.

**CIlr Dominic Beck**

**Cabinet Member for Housing**

## **Executive Summary**

This is Rotherham Council's business plan for the Housing Revenue Account (HRA) over the next 30 years. Given the significant changes to the HRA's operating environment the current long term forecast for the business plan is that savings of circa £500m are required over its life when compared to the previous plan. Assuming these savings are achieved after 30 years the HRA will have an operating surplus of £35m.

As of April 2016 the Council had £304.125 million housing debt and a borrowing limit set by the Government of £336 million. Total HRA Operating expenditure for the year 2016-17 is projected to be £75.4m. Income for the year is forecast to be £83.5m. Appropriations to support capital investment will total approximately £8.16m.

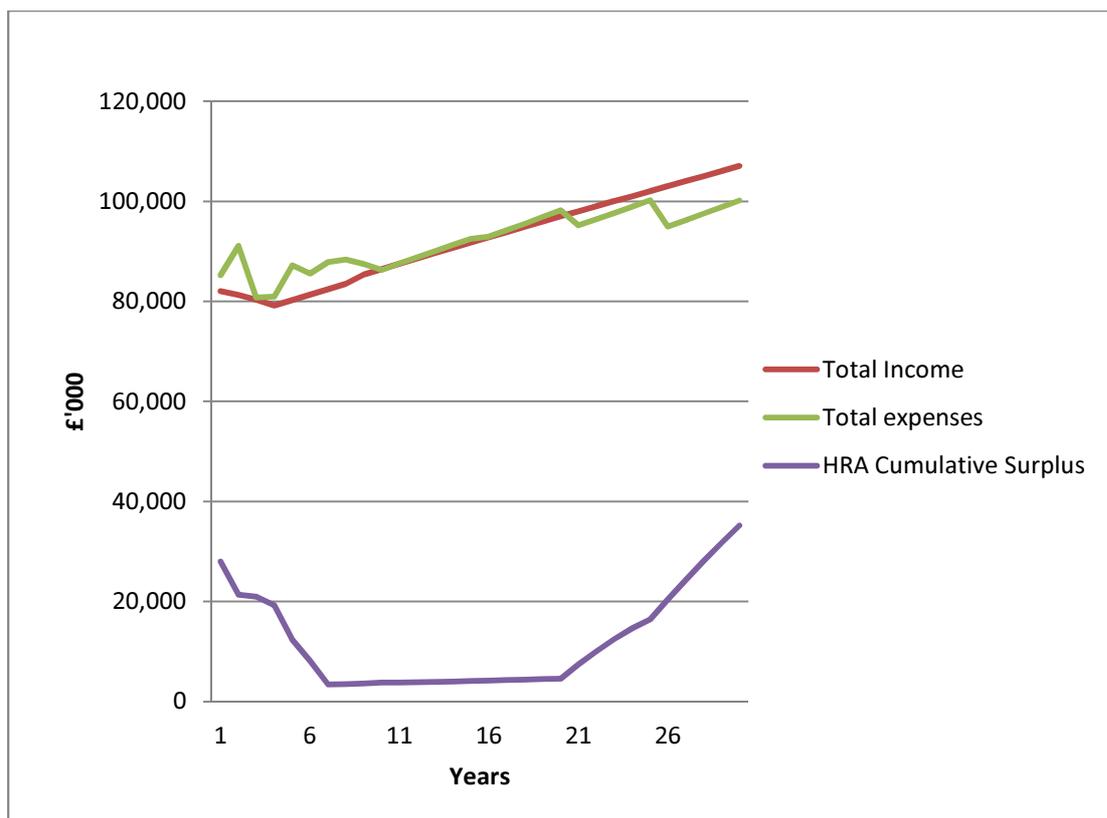
The objectives of this business plan are to ensure the HRA has balanced budgets for the next three years, continuing stock investment that will satisfy tenant expectations, reduce costs and fund the acquisition of new council housing into 2017-18.

The main areas of investment in the early years will be:

- Activity to mitigate the impact of welfare reform
- Transformation of the Housing Income Team into a service that can offer extensive financial advice and support to tenants
- Making the best use of the homes we have by improving the rehousing process and supporting tenants to sustain their tenancy
- Ensuring we prioritise the completion all essential investment associated with our statutory duties including but not limited to the Regulatory Reform (Fire Safety) Order 2006.

The main source of funding for the business plan is from tenant rents which will continue to be set in line with the Government's national social rent policy.

The following chart represents the current forecast. This shows that all planned activity is affordable over 30 years after savings of circa £500m have been made through changes to how we work, reviewing the services and standards we offer and reducing the size of the business to reflect the forecast reduction in the number of properties we own.



It is important to note that all 30-year forecasts serve only as indicative guides from a point in time and these will continually change as progress and long term planning assumptions are reviewed.

## 1. Introduction

### The Housing Revenue Account Business Plan

This is the Housing Revenue Account Business Plan 2016-17 for Rotherham Council.

The purpose of this plan is to set out how the Council will manage the financial aspects of Council Housing in Rotherham from the income raised locally. The plan sets out the rent, charges and forecast budgets for 2016-17, together with an outline budget for the remaining period of the plan.

This business plan:

- Sets out how the Council will manage and monitor delivery of the business plan
- Outlines the Council's income strategy for council housing
- Sets out the Council's aims and objectives for tenant services and investment in our housing stock
- Explains the Council's approach to treasury management

- Describes the Council's approach for ensuring value for money
- Details the main financial assumptions in the plan
- Sets out the main risks to the business and how they will be managed.

Rotherham MBC owns 20,661 council homes which are home to over circa 25,000 tenants and make up around 19% of overall housing in Rotherham. The Council also owns 3,451 garages and has management responsibility for 509 leasehold properties.

The plan incorporates anticipated income and projected expenditure for the next 30 years and sets the long term direction for council housing investment and services in Rotherham. The business plan focuses on income and expenditure for 2016-17 to 2018-19 and assumes full recovery of leaseholder contributions to capital works.

### **The Housing Revenue Account**

The Housing Revenue Account is the financial account used by the local authority for council housing income and expenditure. The HRA is ring fenced for income and expenditure on council housing and funds services for council tenants and investment in council homes. Interest repayments of outstanding council housing debt are also funded by the HRA.

### **Financial summary**

The closing Net Book Value of the HRA assets owned by the council as at 31 March 2016 (adjusted for Social Housing Adjustment Factor) was £508.347m. Rotherham Council's total housing debt as at April 2016 was £304.125 million with a further borrowing potential of £32m. Given the financial constraints facing the HRA following significant changes to the policy environment in which it operates it is no longer intended to use this borrowing to maximise housing growth.

Over the life of the business plan total income is expected to be £2,770m and total planned expenditure will be £2,765m. Cumulative surpluses by year 30 of plan will be £35.2 million. Over the first 10 years of the business plan there are significant financial pressures to overcome, namely the 1% rent reduction for four years from 2016-17 to 2019-20 and pressure on income due to welfare reform. These pressures are being managed by generating savings of £47m by 2020-21 and using reserve balances. Throughout the period it is planned to maintain a minimum reserve balance of £3m which will mitigate risks associated with welfare reform.

Over the 30 year business plan period total debt will remain at £304.125 million and costs of servicing this debt will be approximately £424 million over the 30 years. A copy of the 30 Year Operating Account and 30 Year Investment Plan are attached at Appendix A.

### **Business planning principles**

Since self-financing was introduced in 2012 it has required the Council to think differently for three reasons:

- The Council bears the responsibility for the long term security and viability of council housing, rather than Government
- The recent change in national rent policy was not taken into account in the Government's self-financing determination which means we have to make choices about how we manage the shortfall in resources this now creates
- Key risks are now managed by the council, these include interest rate fluctuation and Right-to-Buy numbers.

These factors mean the council has to be more business minded and commercial in its approach to managing its council housing portfolio. Being business-minded means ensuring we have the means to make the right investment in our homes and the services that support them. This investment needs to be made at the right time in order to keep homes lettable. It also means we make best use of our homes by charging for them fully and fairly, by collecting all income owed and by keeping them in use as much of the time as possible. Being business minded also means ensuring we continue to maximise value for money of our expenditure.

The Council's business principles are as follows:

**1. Providing good quality homes at a reasonable cost.**

- a. Homes are in a safe and sound condition
- b. Neighbourhoods are places where people want to live
- c. Homes and services are charged for fully and fairly
- d. External investment is levered into the business

**2. Tenants can influence the council housing service**

- a. Ensure our homes are attractive to existing and prospective tenants
- b. Homes are kept in use as much as possible
- c. Provide services that meet tenant's reasonable expectations
- d. All income owed is collected

**3. Efficiently manage running costs**

- a. Using the Council's purchasing power and long term view to get the best deals for tenants
- b. Management of known hotspots of expense in the business
- c. Keeping overhead costs under control
- d. Seek added value for benefit of tenants through contracts we award

These business principles are the criteria we use to inform how investment decisions are made.

These business principles have been used to help determine what the priorities are for the council over the next three years. For example, making the best use of homes applied to council housing means allocating properties quickly to new tenants and minimising turnover of the property. This links to sustaining tenancies and working with tenants to support them to stay in their home. This would reduce the time that properties are empty which in turn increases rental income.

In relation to council housing, being business minded does not mean generating a profit as it does in the private sector. Any surplus generated by council housing under self-financing is ring-fenced for re-investment in council housing in Rotherham.

It is the Council's intention that under self-financing council housing will continue to be owned by the Council, the HRA ring fence will continue to be in place and any surpluses will continue to be reinvested in services or maintaining and improving the condition of the homes for the benefit of tenants. We need to be business minded to secure the long term future of council housing and we must balance this with what is best for tenants and for the residents of Rotherham.

### **Rotherham's priorities for the next three years**

The three key priorities for the next three years of the HRA business plan are:

#### **1. Investing in our homes**

The investment programme provides the most scope for allowing projected spend to fit within the resources available. This is because the programme is the largest area of expenditure for council housing in Rotherham and is constructed based on the resources available. The programme also provides opportunities for efficiencies through procurement.

The value of the investment programme (excluding Repairs & Maintenance) will initially be around £25m per annum for the first three years. Within this funding the Council has started to set out what its priorities are for investment in homes. Alongside this, resources are prioritised for the completion of other investment schemes that must be concluded. These include works to ensure compliance with Health and Safety legislation and the Regulatory Reform (Fire Safety) Order 2005.

## **2. Mitigating risks of welfare reform**

Tenant services will play a key role in mitigating the risk of welfare reform, for example the work of the Income Management team will be critical, as will links with Rothersave Credit Union, debt advice partners and continuing the Smart Move project which supports tenants who might choose to move to a more suitably sized and affordable homes.

## **3. Efficiency savings**

Ongoing efficiencies from services will contribute to reducing costs over 30 years. There are opportunities to review key services where the greatest spend on services exist - rehousing and estate management - to ensure value for money in the next three years, and contribute to an overall reduction in costs. The Council will also explore how we can work with partner organisations to better support tenants to remain longer in their tenancy thereby reducing costs and maintaining a rental income.

Linking management and overhead costs to the size of the housing stock will allow us to mitigate some of the effects of the 1% rent reduction for the life of the business plan. We have therefore proposed to link fifty percent of the cost Supervision and Management to the size of the housing stock. This in real terms means there will be a saving of circa £100m over that period. Other efficiencies will come from improved asset management, contract management and procurement and a review of service level agreements (SLA) with other departments in the council.

### **Key facts and figures**

#### **Our homes**

20,661 homes are owned by the Council (19% of all homes in Rotherham)

The Council is responsible for 509 leasehold properties

24% of homes are 1-bedroom, 32% 2-bedroom, 43% 3-bedroom

24% of properties are flats or maisonettes and these are contained in over 500 blocks

99.78% of council homes currently meet the Decent Homes standard

Around 2,047 homes were let to new tenants in 2015/16

Approximately 600 acres of Green space is managed by the HRA

3,451 garages are owned by the council

Our contractors complete around 90,000 repair and servicing visits per year – an average of 246 per day

We spend £19m per year on day to day repairs and maintenance – an average of £52,000 per day.

### **Our customers**

We have over 25,000 tenants (this is more than the number of homes as we offer joint tenancies)

2.8% of our tenants are from BME communities compared to 3.9% across all tenures

2.4% of our tenants are under the age of 24 compared to 1.5% across all tenures

22.4% of tenants are 75 years old or more compared to 15% across all tenures

56.8% of council tenants classify themselves as having a disability compared to 30.6% across all tenures

66% of tenants receive housing benefit

6,431 people are currently on the housing register, of which 1,446 are current tenants wishing to transfer.

### **Challenges for Rotherham**

Whilst the Council's initial long term financial forecast under self-financing showed a significant surplus in resources, this has now come under increasing pressure due to ongoing welfare reforms meaning we now have higher rent arrears, a decrease in rent for a four year period and increasing essential investment costs.

The Government's plans for welfare reform are a key risk to this plan because of changing rules which mean that:

- All working age tenants, including those on housing benefit, will be responsible for paying their rent rather than the Department for Work and Pensions paying the council direct. This will be introduced progressively over the next 6 years.
- Tenants who are deemed to be under-occupying only receive benefit for the size of property they need.
- Capping and restrictions on eligibility for housing benefit across multiple age groups

Welfare reform has the potential to have a significant impact on the business plan which is based on 95% of income coming from rents. All tenant services will therefore need to be reviewed to ensure that they are best able to mitigate the effect of welfare reform on the business plan.

### **The next three years**

### **Funding our priorities**

The main areas of investment in the early years, aimed at reducing costs overall, will be:

- Activity to mitigate the impact of poverty and welfare reform
- Making the best use of the homes we have by ongoing improvements to the rehousing process and supporting tenants to sustain their tenancy
- Managing the impact of the Housing and Planning Bill, in particular the requirement to sell or pay a determination based on the value and vacancy rate of Higher Value Properties owed by the Council.

Later sections of this business plan (sections 3-7) serve to provide an overview of how we will achieve the cost savings we need to make over the next three years.

It is important to note that these long term forecasts are the products of a series of assumptions based on information available at a point in time. Extended over 30 years any inaccuracies are magnified and as it is impossible to know the exact financial environment (interest rates, cost inflation etc.) in future years, or the housing needs of future tenants (housing standards, welfare arrangements) so the forecasts we make about future costs and income can only ever serve as an indicative guide which must be subject to regular review.

#### **How does this plan fit with Council's strategic objectives?**

The HRA Business Plan will not sit in isolation but will be influenced by and itself influence the council's wider aims and objectives. Council housing is a significant asset to the town and the business plan is a powerful tool for maximising the benefits of that asset for the people of Rotherham.

The business plan's wider benefits are linked to the four priorities in the Council's Corporate Plan 2016-19. The table over page explains how the HRA will support delivery of these priorities:

<b>Every child making the best start in life</b>	<b>Every adult secure, responsible and empowered</b>
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<p>Children require safe and warm homes to grow up in if they are to learn and fulfil their potential. Housing cuts across each of themes identified to ensure Rotherham is a child centred borough, for example:</p> <ul style="list-style-type: none"> <li>-We fund a worker within the Early Help team to support families with children</li> <li>-Staff and construction partners are training in safeguarding and tackling child sexual exploitation so they can spot the early signs and make referrals</li> </ul>	<p>Decent housing underpins positive physical and mental health and can help older people to remain in their own homes for longer, potentially reducing costs in health and social care services.</p>
<p><b>A strong community in a clean, safe environment</b></p> <p>Housing can have a significant impact on one's feeling of well-being, and sense of security and community. In 2016-17 we plan to invest over £30m in improvements to our estates and the properties we own.</p>	<p><b>Extending opportunity, prosperity and planning for the future</b></p> <p>The delivery of the housing growth plan will contribute significantly to the overall economic growth of Rotherham, by providing homes for people, meeting local need and creating jobs and training opportunities.</p>
<p><b>A modern, efficient council</b></p> <p>The housing service have plans to make cost savings of circa £20m by 2018-19. This will be delivered by reviewing how we operate introducing new technologies that will reduce operating costs and improve services to our tenants.</p>	

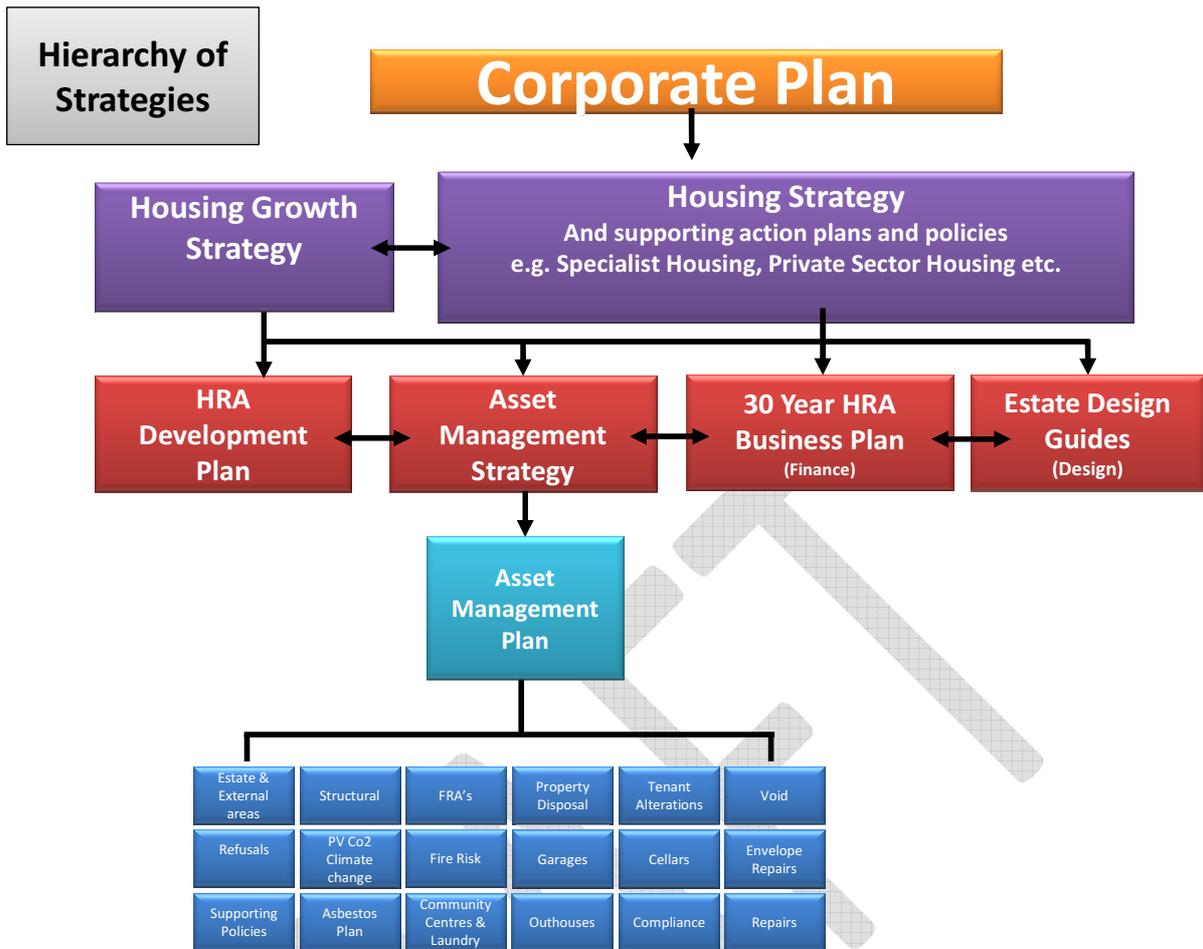
Alongside delivering against the Council's Strategic Objectives the plan also links into delivering key aims of The Housing Strategy. The HRA Business plan supports the vision for the Housing by 2019 in the following ways:

<p>Enough social rented homes available for local people</p>	<p>The council will continue to purchase new properties to ensure we minimise the impact of Right to Buy on the existing social housing stock owned. This will ensure we continue to have sufficient houses available for those residents in most housing need.</p>
<p>High levels of resident satisfaction</p>	<p>The council will continue to invest in services that tenants want through regular consultation. We will monitor tenant satisfaction with the services we offer bi-annually through the industry recognised STAR survey.</p>
<p>Nobody trapped in housing that fails to meet their needs</p>	<p>A robust business plan will allow funding for Housing Options to continue offering</p>

	advice to residents on the most appropriate housing for their needs
Better more joined up working between RMBC Housing, Adult Services and Children and Young People Services	<p>We will continue to work with Adult Services to expand the housing offer for elderly and vulnerable residents so they remain independent for longer so reducing the burden on social care budgets.</p> <p>We will continue to fund a family Support worker in Children's and Young People Services to support families in crisis.</p>
Continuing to alleviate fuel poverty for our most vulnerable households	Between 2016-17 and 2018-19 we plan to invest over £75m in improvements to our housing stock that will alleviate fuel poverty.

This Business Plan will be reviewed annually against the Housing Strategy and other legislation and corporate policies so that the changing needs and expectations of tenants can be reflected in the plan.

The chart below illustrates the policy framework within which the HRA 30 year Business Plan operates.



## 2. Governance

The Council needs a robust HRA Business Plan in order to ensure resources are optimised over the next 30 years for the benefit of council tenants. Strong governance of the business plan will be the key to its success and must be led by Councillors. Strong governance must also include; tenant and leaseholder scrutiny, and officer responsibility, and the council has systems in place to ensure this occurs.

Governance of the HRA Business Plan includes three key structures; political governance, tenant governance & scrutiny and the officer structure. This section sets out arrangements for governance of the plan which will be further developed during the course of 2016-17 in partnership with Councillors, tenants and stakeholders. This will be set out fully in the next update of this plan.

### i. Councillor governance

The Cabinet will monitor performance against the HRA Business Plan and make decisions on matters relating to strategic service and service planning, contracts, partnership & consultation and property.

A financial report will be reported to Cabinet, these reports will include both revenue and capital aspects of the business plan.

The Cabinet will be involved where there is a need to discuss and take decisions on the most significant issues facing the Council. These include issues about the direction of the Council, its policies and strategies, as well as Rotherham wide decisions and those which affect more than one Council service.

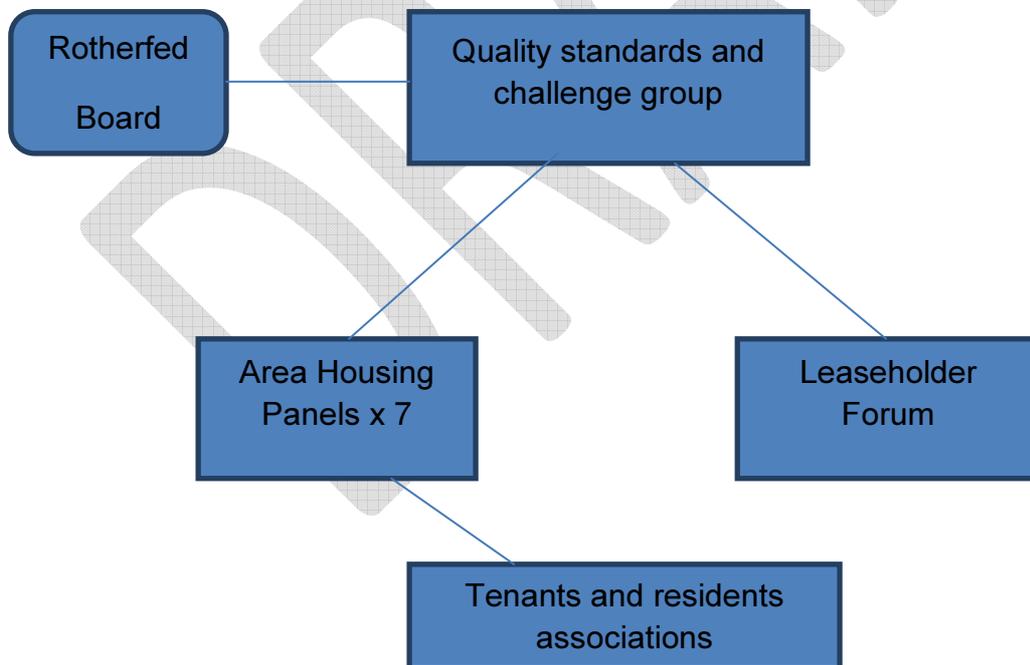
The Improving Places Select Commission will undertake scrutiny of the Business Plan. The scrutiny committees help to ensure that local government is effective and accountable. The central purpose of scrutiny is to monitor and examine services provided by the Council and its partners, as well as to carry out in-depth reviews into specific service areas. The aim of these scrutiny functions is to continuously improve the delivery of local public services to residents.

The Audit Committee may also wish to review the HRA Business Plan in performing its remit to ensure effective corporate governance of the HRA Business Plan.

### iii. Tenant and resident involvement and scrutiny

Tenants and resident involvement is key to ensuring the Business Plan reflects the priorities of our tenants and leaseholders. Below is an outline of our current engagement structure with tenants and leaseholders:

#### Tenant and Leaseholder Engagement Structures



In the future, tenant priorities will be fed into the HRA Business Plan through our Local Offers that will continue to be reviewed and developed in partnership with tenants, leaseholders and residents at service level through the Area Housing Panels and Leaseholder forums. Performance against the Local Offers will continue to be monitored with and reported to tenants through the structure detailed.

Customers must be able to monitor and challenge performance against the business plan in the spirit of co-regulation.

The Annual Report to Tenants will continue to be agreed annually and will set out the targets including key performance indicators, the risk management plan, improvement plans, customer satisfaction measures, service review updates and information on tenant and resident involvement.

The Annual Report to Tenants will be available on the Council's website for tenants and residents to monitor performance.

The Annual Report to Tenants will provide feedback to all tenants on the performance of the Council against the Government's regulatory framework and the HRA Business Plan. The Annual Report will be published each year.

### **iii. Officer governance**

Responsibility for the HRA Business Plan will sit with the Assistant Director of Housing and Neighbourhoods in consultation with the Assistant Director of Finance. The Business and Commercial Programme Manager will support the governance of all activity relating to council housing under the HRA Business plan.

The Business and Commercial Programme Manager is responsible for monitoring performance against the plan, updating the plan together with annual budget and performance setting. The Assistant Director of Housing and Neighbourhoods and the Assistant Director of Finance will be responsible for monitoring and challenging the use of council housing resources, ensuring value for money and monitoring risks.

There will be scrutiny of revenue and capital monitoring and target setting under the business plan's key themes:

- Income and Resources
- Investment
- Housing and Estate services
- Value for money
- Treasury management, and
- Risk management.

Performance against the business plan will be monitored through the HRA Business Plan monitoring report.

Contract and Service Development will provide contract advice and support to both the revenue and capital teams on the repairs, maintenance and investment contracts.

The HRA Business Plan will be updated on an annual basis so that changes such as rent increases/ decreases, charges, cost savings, budget pressures and policy can

be reflected in the plan. The updated business plan will be approved by Full Council in January/ February each year. Any in-year policy changes will be approved by Cabinet as required.

The HRA Business Plan will include revenue and capital resources and activity. The Council Housing Investment Programme will continue to be part of the Council's overall Capital Programme which will be approved by Commissioners and Full Council in February each year.

Within the Council, aspects of the Housing Revenue Account will also be reported routinely to the officer groups responsible for day to day delivery and management of the plan.

### **3. Income and resources**

#### **i. Overview**

This part of the business plan is concerned with income into the Housing Revenue Account. It includes rent setting, service charges, re-charges and other charges payable by tenants to the Council as landlord.

All aspects of council housing delivery - services, investment, support costs, debt interest payments etc. - must be funded through the income the Council is able to raise locally. Therefore, it is important to ensure our income is at the right level to provide the right services and the investment needed in Council homes.

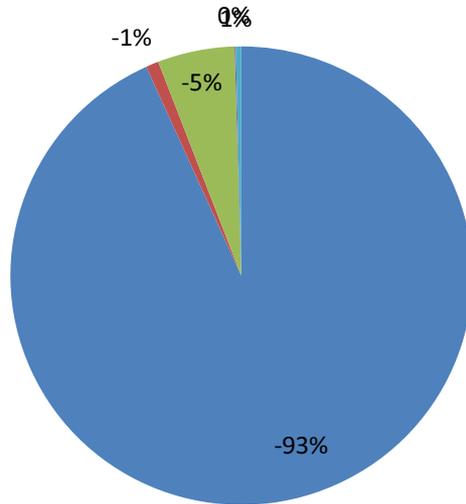
#### **ii. Income breakdown**

The following chart shows the items which make up the £83.5m income expected into the HRA in 2016-17. The chart shows that over 93% of income into the HRA is rental income from council homes. The chart does not include capital receipts (for land or Right-to-Buy sales) which are reviewed annually as part of the wider Capital Programme.

### **HRA income breakdown 2016-17**

## HRA Income 20016-17 Budget

- Dwelling Rents
- Non-dwelling Rents
- Charges for Services and facilities
- Leaseholder Income
- Other fees and charges



### iii. Key risks

#### 1. Welfare Reform

A significant proportion (66%) of Rotherham housing tenants rely on Housing benefit. Consequently the single biggest risk to the business plan overall is the Government's welfare reform proposals. This section explains the policy changes and the estimate financial risk to the HRA of each proposal.

#### Benefits Cap

The Welfare Reform Act was passed by Parliament in March 2012 which introduced the concept of a Benefits Cap. The amount at which the cap would be introduced was reduced as part of the Summer Budget 2015, the details of how groups will be affected are below:

	£ per week now	£ per week Autumn 2016	£ per anum now	£ per anum Autumn 2016
Single	350.00	257.69	18,200	13,400
Lone Parent	500.00	384.62	26,000	20,000
Couple	500.00	384.62	26,000	20,000
Couple with children	500.00	384.62	26,000	20,000

Housing benefit is the first payment to be cut if a household is affected by the benefit cap. From data provided by the DWP approximately 191 council tenancies will be affected in Rotherham with a total of 541 children living in these properties.

Whilst this does not directly affect the HRA, it will mean that a number of tenants will have no immediate means to pay their rent, causing significant strain on bad debts over the medium to long term as well as increase in void rates as tenants seek to move to smaller properties. Based on current data, the estimated financial risk through tenants no longer receiving all or part of their rent paid through Housing Benefit will be circa £390,000 per annum based on 2016-17 rent charges. In the affected client group 32 tenants currently pay their rent in full by Housing Benefit and will no longer receive any Housing Benefit entitlement due to the Benefit Cap (assuming no change in circumstances).

Other potential affects that will impact the HRA Business Plan include:

- Households in private rent accommodation may apply for re-housing to more affordable council accommodation.
- Affected council tenants may require money advice to assist them with budgeting. At the current time there is insufficient staffing to deal with this as the Housing Income restructure report is awaiting approval.
- Rent arrears may increase from larger households in receipt of welfare benefits

Given this significant risk, it is proposed to increase the number of Tenancy Support Officers to offer advice and support to these families so they can maintain their tenancies and minimise rent arrears.

### **Spare Room Subsidy**

The Spare room subsidy commenced in April 2013. There are currently 3,022 tenancies affected of which 1,739 tenants are in arrears with an average balance of £268.02. Total arrears balances have increased by 23% over the past 12 months to £466,096 as at the end of June 2016. The largest value of arrears are attributable to tenants under the age of 35 who owe circa £173,000.

### **Universal Credit**

The way in which benefits will be paid to tenants in the future poses a risk. At the current time 64% of HRA income is received via direct payment of Housing Benefit, with the remainder paid direct by tenants.

Universal Credit commenced in Rotherham on 7 December 2015, in that time there have been a total of 159 tenants claim Universal Credit. At the current time the Council receives an income of £39,535.70 per annum through the Delivery Partnership for providing support to Universal Credit Claimants.

As at July 2016 the arrears balance of tenants on Universal Credit stood at £137,788; an average balance of £918.59. This is £595.82 higher than tenants whose rent is paid by Housing Benefit or fully themselves.

In setting budget projections beyond the short term these changes to benefits make accurate estimation difficult. There is a lack of information to accurately assess the scale of bad debt provision required which means over the coming years there is a need to regularly review the impact on:

- Rent payment levels
- Cost of collection
- Tenancy turnover

If tenants on Universal credit do not pay their rent, in addition to an Alternative Payment Arrangement, the landlord will also be able to apply for a direct deduction of up to 20% for the non-housing element of their claim. This allows some degree of certainty that rent will be paid eventually so at the current time bad debt provision has been left at 2% up to year 10 of the plan.

### **Back dating of Housing Benefit**

As of 1 April 2016 Housing Benefit claims were only eligible to be back dated by 4 weeks. This will impact rent payments where a tenant was eligible for Housing Benefit but did not submit an earlier claim. As a result the Housing Income team now attend all tenancy sign up meetings to ensure that Housing Benefit claims are submitted at the start of a tenancy to minimise the detrimental impact this may have on income collection. Clearly this may also impact existing tenants when there is a change in circumstances, which will be dealt with when identified through the arrears management process.

### **Restriction of Housing benefit for 18 to 21 year olds**

From April 2017 18-21 year olds submitting a claim for Universal Credit will not be automatically eligible for the housing cost element (equivalent of Housing Benefit). There will be some exceptions for:

- Parents whose children live with them
- Vulnerable groups
- Those who have previously been living independently and working continuously for 6 months

The HRA has 214 tenancies that fall into this category for which £10,592 income per week is received via Housing Benefit. Based on an average tenancy duration of 13 months for this client group it is inevitable there will be a risk that some of the £550,000 annual income would not be recovered from April 2018 onwards. This will lead to further pressure on HRA income and bad debt provision.

### **Local Housing Allowance**

As part of the 2015 Autumn statement it was announced that for new tenancies Housing Benefit in the social rented sector will be paid up to the Local Housing Allowance (LHA) rate – the rate that applies to the private sector. In particular this means for single people aged under 35 without children will be restricted to shared

accommodation rates. These rates are below typical council rents for one bed properties.

The policy applies to all tenancies signed from 1 April 2016, with the new rate commencing on 1 April 2018.

In such cases we therefore require tenants to make up the shortfall from other sources, with the subsequent increase in bad debts as a result.

LHA rates have been frozen since April 2016 and are detailed below for Rotherham:

	<b>Rates £ per week</b>	<b>Average Council rent £ per week</b>
Shared accommodation	58.50	49.34
One bedroom rate	80.00	66.77
Two bedroom rate	92.31	76.20
Three bedroom rate	100.38	79.00
Four bedroom rate	144.23	87.24

This policy is not restricted by age therefore Pensioners will also be affected, with the exception of the Shared accommodation rate.

The table below details the annual income received from tenants under 35, single with no dependants:

<b>Number of tenants in receipt full HB</b>	<b>Annual Income £</b>	<b>Number of tenants in receipt of part HB</b>	<b>Annual Income £</b>
534	2,295,696	505	1,891,864

Given this client group will in future be restricted to a maximum LHA rate of £58.50 per week and an average tenancy duration of 4 years 4 months, it is reasonable to assume by 2020 the client group will lose equivalent to £24.35 per week (£1.3m annually) HB entitlement. This will subsequently have a further impact on HRA finances and it is highly probable this will manifest itself through increasing rent arrears and bad debts.

### **Impact of the LHA Cap on Furnished Homes and the General Fund**

There will be an adverse impact on Council tenancies that are offered as 'furnished' through the Rotherham Furniture Solutions (RFS) scheme. The scheme is paid for by primarily housing benefit income to the HRA but delivered as a service within the General Fund. Extensive modelling of the impact the new LHA rates will have on the future viability of the RFS scheme has been undertaken. In summary whilst the service can continue to be delivered with some changes to packages offered, there will no longer be the ability to generate significant surpluses on an annual basis.. This may have an impact on the Council's Medium Term Financial Strategy as £1.35m income is factored into this plan in 2017/18.

## **2. Social Rent Policy – 1% rent reduction**

This was introduced in April 2016 and will operate until 2019-20. After this time the Government states they will return to an inflation based formula but have not defined what this will be. Future Business Plan assumptions after 2019-20 are based on rent increases at CPI rather than the old rent formula of CPI + 1%. This is in line with most other social housing provider's assumptions. This change has resulted in a loss of £638m income over the life of the business plan.

## **3. Housing and Planning Bill**

### **Pay to Stay**

Tenants in social housing who earn more than £31,000 outside of London are expected to pay market rent from April 2017 onwards. The increase in rent will be tapered at rate of 15 pence to the pound. i.e. for every extra pound of earnings over £31,000 the tenant will be expected to pay an extra 15 pence per week rent until they reach average market rent (for Rotherham).

In 2017-18 only additional rent collected less reasonable Local Authority administration costs (still to be determined by Department for Local Government and Communities) will be paid to the Treasury. This will be reviewed in 2017-18 and an annual determination may be introduced instead.

In addition to the extra administrative burden this policy places on the Housing Service such as income verification for all 20,500 tenancies and calculation of market rents annually by property type. This policy is also expected to increase the rate of Right to Buy given this may be a far more financially attractive option when the Right to Buy discount is applied for those tenants able to access mortgage finance.

The policy will also directly place council properties in competition with the private sector. This may result in an increase in tenancy turnover rate for those affected who may see private sector rented as a more desirable option.

Until final regulations are published it is difficult to estimate the full financial implications of this policy. That said it is clear there are significant financial risks as the government may move to an annual determination after Year 1 dependant on the amount of additional income this policy generates for the Treasury.

There will be an administration allowance but this is likely to be less than the cost of implementation.

### **Lifetime Tenancies**

The Housing and Planning Bill has introduced the requirement for fixed term tenancies of up to 10 years for social housing with the aim of making best use of the stock so only people in housing need remain. Whilst this will not reduce income to

the HRA, it will probably increase the turnover rate for stock so increasing housing management and void costs at a time when cost savings are required.

This policy would also apply to succession rights, with the exception of the partner or spouse inheriting the tenancy.

### **Higher Value Property Sales**

The Housing and Planning Bill has introduced a requirement on Local Authorities to consider the sale of high value properties that become vacant.

This duty is a result of the introduction of Right to Buy for Housing Association tenants. Originally it was intended that this would be funded by the sale of high value council properties when they became vacant. As the bill has progressed it is now clear that Local Authorities will receive an annual determination from the DCLG which may or may not reflect the actual turnover of higher value properties.

It will be for Rotherham MBC to consider if it wishes to sell a higher value property when it becomes vacant. No guidance has been issued yet to define what is meant by higher value. Irrespective of whether the council chooses to sell or not, it will be required to make a payment from the HRA each year to the DCLG based on the determination it receives.

Previous estimates, assuming the 10% highest value properties by bedroom size would be subject to review and therefore captured by the levy/ determination this could cost the HRA up to £3.1m per annum.

As of July 2016 no detailed regulations have been issued. For planning purposes it has been assumed the HRA will incur a charge of £2m per annum under this policy. Once the regulations have been published a review of this assumption will take place. This is a significant risk to the HRA Business Plan.

#### **4. Right to Buy**

The final key risk to the income of the HRA is the Government's policy on Right-to-Buy receipts which continue to be pooled nationally. Whilst reducing numbers of dwellings and reduced rental income as a result of Right-to-Buy have been factored into the business plan, the number of sales over 30 years is only an assumption based on recent averages. If Right-to-Buy sales rise above their forecast numbers over the next 30 years, the business plan will be inadequately compensated for lost rental income. This risk is even greater given the Government's increase in Right-to-Buy discount, providing a 70% discount to many tenants.

#### **iv. Income for 2016-17**

##### **a. Rent setting**

In 2016-17 rent charges decreased by -1%, resulting in an average weekly rent of £73.71 over 52 weeks.

The rent levels in the business plan for 2017-18 to 2019-20 will reduce by -1% per year. Thereafter they increase by CPI for the life of the plan. This is assumed to be 2% based on HM Treasury forecasts. These assumptions will be reviewed at annual budget setting and HRA Business Plan update reports.

##### **b. Target rent**

The amended national social rent policy removed the Council's ability to achieve rent convergence.

The revised social rent policy does still allow for the Council to move rent to convergence at re-let. It is the intention for the council to continue implementing this guidance. It is anticipated this will help to raise an additional £93.6 million income to the HRA over the life of the business plan and sustain continued investment in council housing. If we had not chosen to take this approach it would have meant less investment in our housing stock and a deterioration in the quality of our homes over the life of the business plan as we would not have been able to afford the investment necessary to maintain our houses to the standards tenants want.

##### **c. Rotherham Furniture Solutions**

Tenants have the option to enter into a furnished tenancy as part of our housing offer. We currently have 3,653 furnished tenancies for which an additional charge is made. In 2016-17 these charges were reduced by -1% in line with the Government's national rent policy. This meant the average additional charge for a furnished tenancy reduced to £18.22 per week.

##### **d. Garage Rents**

Garage rents for 2016-17 were frozen as CPI for September (the month used for determining increase in rent charges) was -0.1%. By freezing garage rents the average weekly charge remained at £5.09.

##### **e. Service Charges**

Currently, the Council sets separate service charges for district heating and sheltered housing (which includes Rothercare alarms service and/ or communal area charge) because these are services that not everyone receives and so not everyone should pay for through their rent. Guidance from Government recommends that other types of service charges are separated from rents so that charges are more transparent and fair.

For 2016-17 all Service Charges have been frozen at 2015-16 prices. However where we continue to operate some District Heating services at a deficit a review of costs will take place to ensure these are fully recovered by charges by 2018.

#### **f. Right-to-Buy Receipts**

Under the Government's determination, 25% Right-to-Buy (RTB) receipts will continue to be retained by the local authority. The amount of receipt the authority keeps is ring-fenced by Government for use on regeneration or providing affordable housing, or for paying off HRA debt.

The Council has a total HRA debt of £304.125 million. This debt must be serviced from the rental income from council dwellings. As homes are lost from the HRA through RTB then so is the rental income from the property but not the debt that is associated with that home. Therefore under self-financing the first call on any income received from Right to Buy receipts should be a payment to the HRA equivalent to the HRA debt associated with that property.

#### **g. Other Income**

During the life of the business plan, the Council will continue to look at other ways of bringing in income. This will include potential contributions from our partner organisations, e.g. health, where they will benefit from outcomes from council housing projects. The Council will also consider ways of maximising our assets for example through short lease properties, neighbourhood centres and garages. Also where possible any grants available for council housing investment will be maximised.

#### **Homes and Communities Agency**

Within 2016-17 we anticipate receiving grant income from the Homes and Communities Agency of £118,125 for the acquisition of new council housing.

#### **v. Financial Impact of proposals**

The proposals above will have a variety of different impacts on income coming into the HRA. For the year 2016-17 forecast income will be £1,316,270 less than in 2015-16.

As set out above, moving all properties to target rent at re-let and reviewing service charges are two options for additional income and it is the Council's intention that wherever possible all charges will be fair, reasonable and transparent.

## **4. Investment**

### **i. Overview**

The Asset Management Strategy sets out how the Council will prioritise works to its homes and estates to ensure they are places where residents want to live while remaining cognisant of the financial policy and regulatory constraints that affect the housing sector.

Approximately £43 million is invested by Rotherham Council annually in maintaining and improving our properties. The budget is currently split £24m in Planned replacements and £19 million in Responsive repairs; a ratio of 55% planned to 45% responsive. Sound asset management is about providing a quality service whilst achieving value for money therefore it follows that the aspiration should be to further invest in planned works with a view to reducing the need for reactive repairs.

These fundamental changes will require the Council to continually review its assets, in order to make sure our homes are desirable, meet people's changing needs, and create increased value for money efficiency within our business.

The Council has pledged to improve the environment for the people of Rotherham where residents live in safe and healthy communities. This investment contributes to those pledges by seeking to improve the energy efficiency of our homes and ensuring the estates follow the latest design good practice for safety and the environment being free from trips and falls for example.

In summary the Asset Management strategy seeks to maintain:

- The Decent Homes Standard
- Various Health and Safety Legislation including compliance including but not restricted to:
  - Gas Safety
  - Asbestos Management
  - Fire Safety

The 'Rotherham Standard' will:

- Meet all Health and Safety Standards
- Have repairs carried out in a timely fashion to a high standard
- Have key items such as kitchens and boilers replaced and updated based upon an enhanced industry standard

In addition we will also:

- Improve the energy efficiency of our homes

- Invest in the communal and external environment

## Future Investment

It is our intention during 2016-17 to further refine the 30 year investment model so we can explore opportunities including:

- Review provision of Disabled Persons Units and specialist accommodation for older people
- Review provision of housing to support the requirements of CPYS.
- Review our ability to work towards achieving Lifetime homes standards through improvements to the accessibility of our housing stock
- Review implications of the Care Act 2014 on the services we provide

Given the significant changes to the policy environment in which the HRA operates there have been substantial reductions in resources available to invest in properties the council owns. Appendix A details the proposed funds available for investment in the housing stock over the next 30 years.

## ii. Cost breakdown

### Proposals for 2016 -19

This section explains how investment will be prioritised over the next three years. The aim of the investment programme is to create an affordable plan to match expected resources.

### Proposed 3 year investment programme

The table below sets out priorities for our investment strategy and costs over the next 3 years of this business plan:

### 3 Year Housing Investment Plan

Area	Spend 2016-17 (‘000)	Spend 2017-18 (‘000)	Spend 2018-19 (‘000)
Repairs and Maintenance	19,075	19,395	19,714
Capital	24,563	28,743	22,361
<b>Total Spend</b>	<b>43,368</b>	<b>48,138</b>	<b>42,075</b>

It is anticipated that with the continuing trends for welfare reform and the 1% year on year rent reduction until 2019-20, it will become increasingly challenging to deliver high quality services with the available funding.

We recognise that there is a risk of the available budgets not matching the amount we are predicting to spend on repairs and planned works. We must therefore manage our budgets to reflect the available budgets and if necessary smooth out peaks in demand by delaying some replacements. In order to achieve this it is important that we are able to extend the life of a building component which can only be achieved by careful planning in advance.

In the future we aim to deliver a greater proportion of our investment in a planned way. Best practice suggests that the split should be 70:30 Planned to Reactive maintenance. Historically this balance has not been achieved as the policy has been to repair or renew components rather than maintain components for the future. It is proposed that to achieve this target we will increase the number planned cyclical maintenance programmes examples will include external painting and clearing of rainwater goods. The Council Housing Investment programme will be funded from a set charge from revenue plus an annual Revenue Contribution to Capital Outlay generated as a result of efficiency savings.

Full details of our approach to investment within our housing portfolio is detailed in our Housing Asset Management Plan 2016-2019.

### **iii) Other proposals**

The Council has undertaken a review of Garage sites during 2015-16 to address the under occupancy and disrepair of garage sites across Rotherham. The initial findings are showing that over 500 vacant garages from a total stock of over 3500 within the Borough. The 500 vacant garages are predominately located in the north of the Borough, where lower levels of satisfaction have been reported

## **5. Housing and Estate Services**

### **i. Overview**

This part of the business plan is concerned with the services provided to tenants. It includes services such as tenancy management, income management and re-housing services together with tenancy enforcement (ASB), estate services, governance and involvement.

Good services are important to our customers and impact on our housing offer and ability to let homes. This business plan depends on our income from rents, so we need to collect as much of the rental income as possible. We also need to ensure that our most high cost services (estate services and rehousing) are as efficient and cost effective as possible.

## ii. Cost breakdown

The pie chart below shows the proportion of the HRA budget spent on Supervision and Management including overhead/ support costs, split by service type. The chart shows that the highest cost area is Central Services. Each area has a key role in ensuring we deliver high quality services to our tenants and is expanded on below:

**Housing Options** is responsible for managing the housing allocation process, housing register and preventing homelessness.

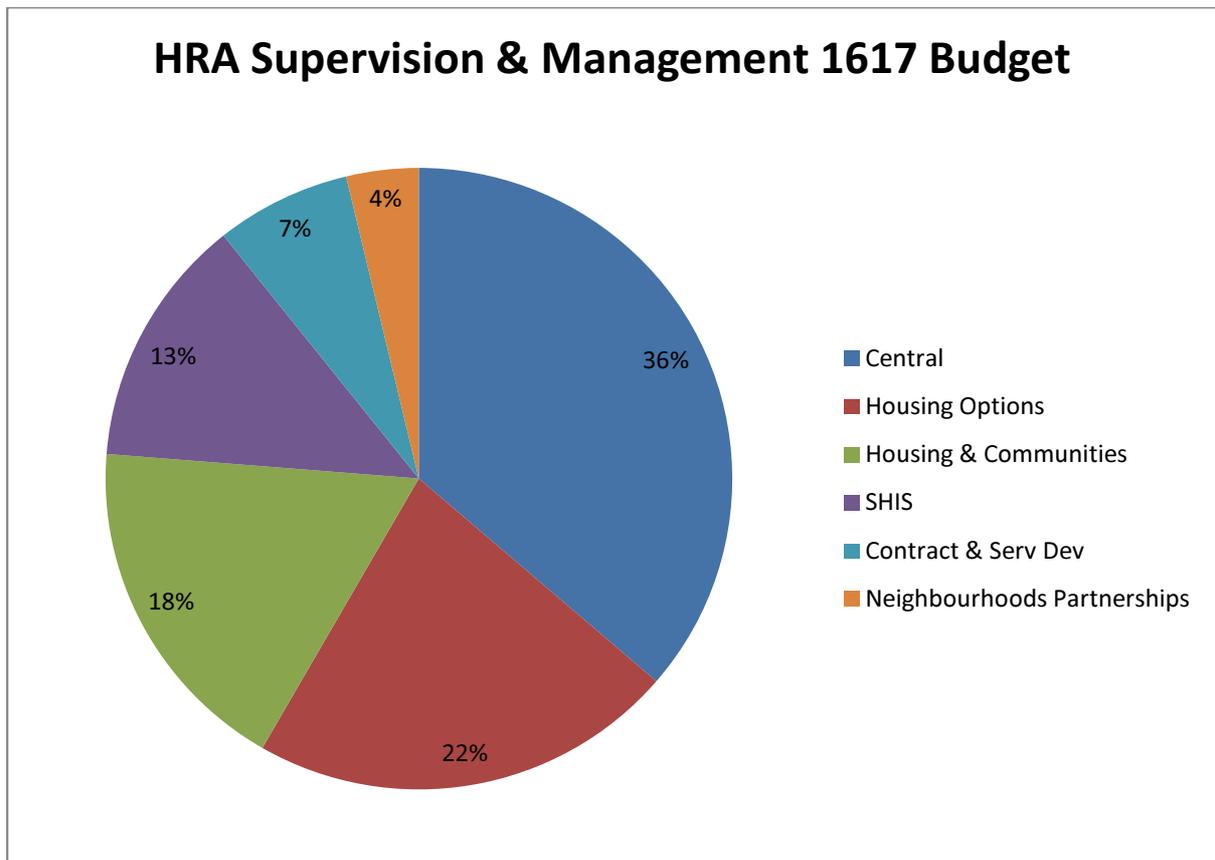
**Housing and Estates Services** is responsible for post-letting tenancy and estate management functions, including tenancy enforcement and tenancy associated service requests (excluding repairs and maintenance), dealing with anti-social behaviour, management of the general estate environment and housing revenue account administered non-residential assets, such as garage sites. The service also supports the Safer Rotherham Partnership and community safety functions. The service also has close working relationships with the Safer Rotherham Partnership and community safety functions, particularly the Anti-Social Behaviour Team.

**Central Services** is area of expenditure responsible for managing income to the HRA and commissioning other services that support effective delivery of the Housing service such as accountancy support, ICT, Corporate Governance and Human Resources etc.

**Strategic Housing** is responsible for the management of our housing assets, deciding how we will invest in our assets to ensure they are places tenants want to rent.

**Repairs Management** is seen by tenants as one of the most important and is responsible for day to day management of the repairs and maintenance contractors ensuring repairs are carried out right first time.

## HRA breakdown of proposed expenditure on Supervision and Management 2016-17



### iii. Risks

There are a number of risks to this area of the plan, the most significant being welfare reform. As set out in section 3 on Income, the Housing Revenue Account is forecast to receive around £50 million income paid directly from housing benefit. This benefit will progressively be paid direct to eligible tenants under the housing cost element of Universal Credit. So far single new claimants are automatically processed as a Universal Credit Claim in Rotherham. There is still no detailed timeline for Universal Credit to be rolled out to other groups. Recently the government indicated it would be at least 2022 until the roll out of Universal Credit was complete nationally. Even with only single new claimants being placed on Universal credit still represents a significant challenge for the Income Management Service. This risk has been factored into future HRA bad debt provisions.

Under the continuing reforms more tenants are finding it harder to pay their rent because of the effects of the welfare reforms on household income. This has led to an increase rent arrears, which have increased by over 60% since the on-set of welfare reforms. Consequently this has also resulted in higher tenancy turnover. There is also a higher demand on the re-housing and tenancy support services, an increased demand for additional downsizing support and a growing need for early support for vulnerable tenants which includes money, debt and welfare advice.

Any additional demands on council housing as a partner in addressing vulnerability, safeguarding, preventing homelessness and in reducing demand for care services are likely to be exacerbated by the continued challenging local economic environment.

#### **iv. Proposals for 2016-17**

This section explains how tenant services will be developed over the next three years. The aim is to develop tenant services to ensure they align to the business planning objectives and also that they are tailored to meet emerging need, which includes the ongoing impact of welfare reform.

##### **a) Tenancy Standard**

###### **Ensure all income owed is collected**

A key priority is the ongoing work mitigating the impact of welfare reform and recent above inflation rent increases. The Council is committed to minimising any effects of welfare reform on tenants and to do this through continuing early intervention and arrears prevention. Our efforts will continue to be in supporting tenants to continue to pay their rent; by offering additional support to vulnerable tenants to help with money, benefits and debt advice, this is being done through our in-house services through continued funding for a Furnished Homes Support Officer and two Intervention and Advice Officers. We are also supporting the Advocacy and Appeals service through funding for Money Advice Officers to support tenants in rent arrears manage priority debts.

We have also commissioned a review of the Housing Income Service, which recommends significant investment to enhance tenancy support and maximise income. A decision on this proposal is imminent and would mean a transformation to how arrears are managed. Alongside the initial changes to staffing resources this would be followed by a 2 – 3 year cultural transition to developing an approach which can be summarised as having a commercial mind and social heart.

We also have active partnerships with the following organisations and Directorates aimed at supporting tenants maximise income thereby increasing their ability to pay rent:

1. Age UK, Rotherham
2. Laser Credit Union
3. Rush House
4. Children's and Young Persons Service

We have also offered and will continue to offer funding for vocational training and apprenticeships for tenants so improving their ability to successfully secure employment and become independent. These projects include:

1. HR Employability Project
2. Employability Support Officer

## **Allocations Policy**

The Housing Options service has a key role to play in making best use of homes by quickly rehousing customers to the right home for them i.e. one which allows for a sustained tenancy. Significant resources are applied to the rehousing service and so ensuring this service is value for money is a priority for the business plan.

The Council's lettings policy has a part to play in both of these objectives. A review of the Council's lettings policy was undertaken in 2014 and went live in October 2014. The review simplified the lettings process and ensures the sustainability of future tenancies through an affordability check prior to letting. All new tenants are now expected to pay one week's rent in advance prior to the letting.

On 6th August 2015, the letting policy was revised again to take into account that the Council had a number of 'low demand' properties that were not being let; this was the driver for the amendments to the policy in summer 2015. A new priority band 4 was created to allow people who are not in housing need, to bid for low-demand properties. During 2016/17 further amendments are recommended, to take into account lessons learned over the past 12 months and changes brought about by the Welfare Reform and Work Act 2016.

### **b. Neighbourhood and Community Standard**

We will continue to adopt a rolling programme of tenancy verification visits ensuring tenants are adhering to tenancy conditions and providing support where issues are identified.

A key focus for the service in 2016-17 is developing support to sustain new and existing tenancies, this includes effective up front assessment of prospective tenants to ensure they meet the new allocations criteria and can afford the properties. To ensure this support is focused, achieves outcomes for tenants and is delivered as efficiently as possible a service review will be undertaken to agree how best to deliver the provision across Housing allocations, Tenancy Management and the Housing Income Service.

The review of neighbourhood centres across the borough has been completed. A key outcome is that we only retain centres that tenants want and are financially viable. 12 centres were identified for conversion to residential units, which will provide much needed new homes and a rental income stream. Phase 2 of the conversion programme is currently underway. We anticipate this will save £30k per annum in running costs and ensure we are able to invest cost savings into other parts of the business. The intention of running the remaining centres is for them to be vibrant hives of activity which residents take pleasure visiting. Of the centres to be retained, 8 have been identified for investment works and are currently being

surveyed. A review will also be completed during 2016/17 of the remaining communal laundry facilities within neighbourhood centres. We will also fund investment in communal areas to include the upgrade of lighting, heating systems and windows to reduce long term running costs.

During 2016-17 a review will also be undertaken of the Council's garage sites. Many are suffering from low demand and asset rationalisation could present opportunities for unsustainable sites to be released, for example, to support new affordable house building or generate capital receipts to support our capital investment programme. We will continue to invest in those garage sites that are well used and in demand.

An enhanced grounds maintenance service offer to housing land and communal areas surrounding older person's accommodation will continue to be sustained during 2016-17 at a cost of £280,000. This will be reviewed within the year to ensure it remains a tenant priority and offers value for money.

Delivering effective tenancy management will also be a foundation of our work in 2016-17 ensuring we continue to be responsive to key tenancy issues such as ASB.

### **c. Tenancy involvement and Empowerment Standard**

Involving our tenants in the future direction of the housing service is a key principle of the business plan. To ensure we deliver the services tenants want we will be undertaking the following activities during the year:

We will be reviewing the Tenant Involvement function as part of the Neighbourhood Working Review to ensure it is adequately resourced to meet the needs of the tenants.

- Strengthen tenant engagement through delivery of the Tenant Involvement Strategy and securing TPAS accreditation to ensure we deliver the priorities to demonstrate excellence in Tenant Involvement and it is embedded across our service. We will seek to increase membership to get broader involvement that reflects tenant demographics/under- represented groups and capturing impact. This will include working closely with Rother Fed and building capacity and presentation of the Area Housing Panels, Housing Advisory Panel and the Quality and Standards Challenge Group to enable tenants to make environmental improvements in their local areas, have strategic influence and scrutiny of our services and monitoring of Local Offer.

Improve feedback and communication to tenants to demonstrate service improvements and celebrate good news stories through Home Matters Newsletter and website.

- Better understand our tenant profile through refreshing tenant data as part of contacts with tenants.

- Developing a modern approach to tenant engagement that reflects the new media platforms that our tenants choose to use such as social media

Continue to use the STAR Survey to monitor and evaluate tenant satisfaction levels with our housing services and continue to make necessary improvements to address areas for improvement e.g. young people, Rotherham North etc.

- Piloting public access wi-fi in our Neighbourhood Centres to allow tenants access to online services and reduce isolation some of our most vulnerable tenants experience.

#### **d. Integrated Housing Management & Digital Inclusion**

The Council is currently in the process of implementing a new Integrated Housing Management System. The first phase of the implementation covering income, tenancy and estate management went live in October 2015. The second phase of the implementation covering Repairs and Asset Management is currently under development. The third phase will include Lettings and online access for Tenants.

As part of phase 2, business processes have been reviewed through a series of 18 workshops. These involved both business and contractor stakeholders to reflect national best practice in the new system. This has provided agreement to change the way the business operates to create greater efficiencies and improved customer service. For example, appointments going forward will be made directly into the contractors' appointment system. This approach will prove invaluable for future service development.

The Council has also set aside a budget of £50,000 for implementation of proposals supporting the 'Channel Shift'/ Digital Inclusion agenda. A Digital Inclusion action plan has been developed and costs have been factored into the Supervision & Management budgets. It is the intended implementation of these proposals will in the long term reduce our management costs through reduced transaction costs with tenants.

#### **6. Debt and Treasury Management**

The financing of the HRA's asset base critically underpins the delivery of the Business Plan.

Therefore the HRA's debt portfolio will be actively managed to minimise the financial risks associated with past and future financing of the HRA's asset base.

When self-financing was introduced on 1st April 2012 the HRA's borrowing need/ debt level was £303.959m and was £304.125m at 31st March 2016. The HRA's maximum borrowing limit is £336.623m.

## **i. Overview**

One of the principles of self-financing is that the HRA is responsible for managing its debt portfolio without Government support and will bear all of the risk and also the opportunity.

It should be borne in mind that even with the new freedoms under self-financing, the debt of the HRA remains the debt of the authority and all treasury management decisions are still ultimately the responsibility of the section 151 officer. Decisions on debt, funding and cash flow investment are therefore those of the authority not the HRA alone.

Treasury management is the term used to describe the way a council manages the cash it needs to meet both its day-to-day running costs and the borrowing for capital expenditure.

## **ii. Capital Programme**

The Capital budget (programme) covers the money spent on investing in buildings, infrastructure and expensive pieces of equipment and to count as capital expenditure, new assets or improvements to assets must have a life of more than one year.

Councils finance capital spending in a number of ways, including:

- Use of revenue funds – known as direct revenue financing
- Capital receipts – money received from the disposal of capital assets can only be used for debt repayment or to finance new capital expenditure
- Grants and contributions – can come from central government or other organisations
- Major Repairs Reserve – this is a special reserve that provides capital funding for the Housing Revenue Account
- Borrowing – councils can borrow money to pay for capital assets, this was traditionally the most important source of financing

## **iii. Prudential Code**

April 2004 saw the introduction of CIPFA's Prudential Code for Capital Finance in Local Authorities. It is given statutory backing, which means that councils are required to 'have regard' to it, by the Local Government Act 2003 (in England and Wales)

The Prudential Code provides a framework to judge whether capital investment is affordable, prudent and sustainable in the year in question and in future years and it

requires thought about six things when agreeing the capital programme. Relating this to the HRA these would be:

- The HRA's service objectives – are the capital spending plans consistent with the local council's strategic plan and its future plans for its services?
- The stewardship of the council's assets – is the capital expenditure being spent on new assets at the cost of maintaining existing assets?
- The value for money offered by the plans – have all the options for investment been considered and do the benefits outweigh the cost?
- The prudence and sustainability of its plans – can the HRA afford the borrowing now and in the future?
- The affordability of its plans – what are the implications for housing rents?
- The practicality of the capital expenditure plan – does the HRA have the resources to manage the project and does the total programme look sensible?

Councils prove that they are complying with the Prudential Code and this is done through a series of prudential indicators that are set locally and approved at the same time as the Council sets its budget for the following year.

The Key Prudential Indicators as they affect the HRA are:

- Estimate of the ratio of the capital financing costs to the net revenue stream of the HRA over the next three years
- Actual ratio of the capital financing costs of the HRA's net revenue stream - the current value of the indicator above
- Estimates of the incremental impact of the capital investment decisions on housing rents for three years, or longer - because all HRA borrowing is secured against future income
- Debt compared to the capital financing requirement

#### **iv. Capital Financing Requirement & Borrowing**

The Capital Financing Requirement (CFR) indicates the theoretical need to borrow and the HRA has a share of this need but it will be no more than the borrowing cap. At 31/03/16 the HRA's CFR was £304.125m and in the short-term is not expected to increase. Over the longer-term the CFR is expected to rise up to the level of the borrowing limit (cap) of £336.623m as new capital investments are made.

The HRA's share of the Council's loans outstanding stood at £260.384m at 31/03/16, borrowed from the Public Works Loans Board (PWLB) and Market sources (e.g. Banks, Pension Funds, etc.), but this is less than the CFR/borrowing need. The

'under-borrowing' of £43.741m is funded by borrowing internally from the General Fund, i.e. the HRA is assumed to be fully borrowed at its CFR/borrowing need level. The rate of interest on the internal borrowing is calculated by reference to the annual weighted average of the Council's overall debt portfolio.

This is considered to be an equitable approach as the Council's existing debt portfolio reflects the Council's investment in the HRA's asset base pre self-financing whilst also sharing any future interest rate risk between the General Fund and HRA arising out of the Council's existing 'under-borrowed' position.

The HRA's debt portfolio at 31st March 2016 was as follows:

**HRA DEBT PORTFOLIO AS AT 31ST MARCH 2016**

<u>Maturity, EIP or Annuity</u>		<u>Fixed, Variable or LOBO</u>	<u>Total</u>	<u>&lt; 12 Months</u>	<u>12 Months to 2 Years</u>	<u>2 to 5 Years</u>	<u>5 to 10 Years</u>	<u>10 to 20 Years</u>	<u>20 to 30 Years</u>	<u>30 to 40 Years</u>	<u>40 to 50 Years</u>	<u>Above 50 Years</u>	<u>Not Known</u>
<b>Public Works Loans Board</b>													
<u>Apportioned Loans</u>													
Maturity	Fixed		121,520,253	3,204,037	12,816,150	16,020,187	16,020,187	0	18,134,851	36,100,618	19,224,223		
EIP	Fixed		6,408,075	1,281,615	1,281,615	3,844,845							
Maturity	Variable		6,408,075	6,408,075									
			<b>134,336,403</b>	<b>10,893,727</b>	<b>14,097,765</b>	<b>19,865,032</b>	<b>16,020,187</b>	<b>0</b>	<b>18,134,851</b>	<b>36,100,618</b>	<b>19,224,223</b>	<b>0</b>	<b>0</b>
<u>HRA only Loans</u>													
Maturity	Fixed		15,188,000					10,000,000	5,188,000				
			<b>15,188,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,000,000</b>	<b>5,188,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
			<b>149,524,403</b>	<b>10,893,727</b>	<b>14,097,765</b>	<b>19,865,032</b>	<b>16,020,187</b>	<b>10,000,000</b>	<b>23,322,851</b>	<b>36,100,618</b>	<b>19,224,223</b>	<b>0</b>	<b>0</b>
<u>Market Apportioned Loans</u>													
Maturity	LOBO - Callable 16/17		45,497,330			640,807					9,612,112	35,244,411	
Maturity	LOBO - Not Callable 16/17		65,362,362								6,408,075	58,954,287	
			<b>110,859,692</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>640,807</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,020,187</b>	<b>94,198,698</b>	<b>0</b>
			<b>260,384,095</b>	<b>10,893,727</b>	<b>14,097,765</b>	<b>19,865,032</b>	<b>16,660,994</b>	<b>10,000,000</b>	<b>23,322,851</b>	<b>36,100,618</b>	<b>35,244,410</b>	<b>94,198,698</b>	<b>0</b>
Un-funded CFR - Internal Borrowing			43,740,905										43,740,905
<b>Maturity Structure based on debt maturity dates</b>			<b>304,125,000</b>	<b>10,893,727</b>	<b>14,097,765</b>	<b>19,865,032</b>	<b>16,660,994</b>	<b>10,000,000</b>	<b>23,322,851</b>	<b>36,100,618</b>	<b>35,244,410</b>	<b>94,198,698</b>	<b>43,740,905</b>
			304,125,000	3.58%	4.64%	6.53%	5.48%	3.29%	7.67%	11.87%	11.59%	30.97%	14.38%
Adjusted for Market Debt with possible calls in 16/17			45,497,330			-640,807					-9,612,112	-35,244,411	
<b>Maturity Structure based on interest rate risk</b>			<b>56,391,057</b>	<b>14,097,765</b>	<b>19,865,032</b>	<b>16,020,187</b>	<b>10,000,000</b>	<b>23,322,851</b>	<b>36,100,618</b>	<b>25,632,298</b>	<b>58,954,287</b>	<b>43,740,905</b>	
				18.54%	4.64%	6.53%	5.27%	3.29%	7.67%	11.87%	8.43%	19.38%	14.38%

Strategic borrowing considerations take account of the level of debt, the type of debt (short/long-term, variable/fixed rate) and whether it is affordable, sustainable and prudent to borrow. The debt strategy also impacts on level of investments i.e. if the Council borrows its investment levels will be temporarily inflated.

In previous years the Council has taken the opportunity to reschedule debt by repaying more expensive debt and replacing this with cheaper debt. However in the current climate it is unlikely that these opportunities will be available. A change in the October 2010 Comprehensive Spending Review which affected on-going PWLB rates combined with the current market conditions means previous advantages which could be gained from rescheduling PWLB debt are no longer available. In

addition the market conditions also mean the Banks are less willing to consider rescheduling Market debt.

The Council is required to provide an amount in its General Fund revenue budget for the repayment of debt and this is referred to as the Minimum Revenue Provision (MRP). Whilst the debt is not physically repaid as this will occur when debt matures, the amount set aside reduces the Council's underlying need to borrow (i.e. the CFR). The HRA is not required to provide for MRP although it can budget to repay debt if this is so desired and thereby reduce the CFR.

#### **v. Investment of Surplus Funds**

Surplus funds available to the Council are invested to achieve a return. This is principally over the short-term but can be longer if cash projections indicate this may be possible and advantageous.

The primary governing principle remains security of the Council's investments and this takes precedence over liquidity (i.e. having funds readily available) and the return on investments. The criteria for selecting investment counterparties reflect this principle.

Current investment counterparty risk has been minimised further by adopting a stricter operational guidance. Investments are currently restricted to the Debt Management Office, top rated Banks and other large Local Authorities. As a consequence investment returns remain low and are unlikely to increase in the near future.

The HRA is paid interest on its notional cash balances as these would be available for investment thereby partially reducing the rate charged on internal borrowing (unfunded CFR).

#### **vi. Forecasts**

It is difficult to forecast debt costs for the HRA over the course of the business plan as borrowing rates will fluctuate and the regulatory and operating environment will change. The financial impact of fluctuations in borrowing rates is mitigated through the effective management of the debt portfolio and control of risk (see vii below).

The weighted average rate of interest for 2015/16 was 4.33% and this is expected to remain low over the short-term as a result of low interest rates generally. In 2016-17 the currently forecasted rate of 4.30% will equate to an interest charge of around £13.650m.

However for modelling purposes which covers the long-term it has been forecast that the average rate of the HRA's borrowing over the course of the 30 year plan will be approximately 4.75%. This rate, which will be subject to continual review, takes account of both the current average rate of existing borrowing and the forecast rate

at which new debt will be taken on to refinance maturing debt and to fund any new capital expenditure over the longer-term.

## **vii. Managing Risk**

The HRA will face four principal types of risk in relation to its treasury-management activities over the course of its business plan:

- Credit risk;
  - Liquidity risk;
  - Interest rate risk; and,
  - Default risk
- (a) **Credit risk** – the HRA will face the possibility that other parties might fail to pay amounts due to it. Credit risk arises from deposits of cash balances as well as credit exposures to its customers.
- (b) **Liquidity risk** – the HRA's cash balances are identifiable on an on-going basis to ensure the impact of positive and negative cash-flows can be readily determined and factored into the financing of the business plan.
- (c) **Interest-rate risk** – the debt portfolio will be managed so as to ensure interest rate risk is effectively controlled. Maturity dates will be chosen to ensure the amount of debt falling due for re-financing is manageable when set against the portfolio as a whole and the uncertainty of re-financing rates in the future.

Exposure to the possible impact of interest rate fluctuations arising on variable rate debt including Market Lender Option, Borrowing Option (LOBO) loans will be controlled by ensuring at any one point in time less than 30% of the debt portfolio is subject to the possibility of interest rate change in the 12 months from that point in time.

Uncertainty over the borrowing cost of un-funded CFR will be mitigated by using the average rate on the debt portfolio which will equate more closely to average rates over the longer-term.

- (d) **Default Risk** – The primary governing principle remains security of the cash investments and this takes precedence over liquidity (i.e. having funds readily available) and the return on investments. The criteria for selecting investment counterparties reflect this principle. Investment counterparty risk will be minimised further by adopting a stricter operational guidance when circumstances dictate.

## 7. Value for money

### i. Overview

This section on value for money underpins all aspects of the business plan. The section also reviews overheads and support costs such as management, accommodation and Service Level Agreement (SLA) costs.

Overheads and support costs are an essential part of running a business which directly supports frontline services. However, we need to continue to ensure these costs are value for money. Within the HRA ring-fence, the costs incurred of running council house activity have to be charged to the HRA.

Ongoing support costs include:

- Management and support staff costs e.g. Accountants
- Service Level Agreements (SLAs) for services such as Legal, Contact Centre and ICT
- Accommodation costs such as Riverside House
- The pension valuations from ex-council staff who transferred to Morrison FS and Wilmot Dixon in 2010.
- Other costs including supplies and services e.g. public liability insurance etc.

Given the significant changes to the operating environment in which the HRA now operates, there has to be a renewed focus on ensuring all services offer value for money. To provide assurance that the services we offer provide value for money the HRA benchmarks annually through Housemark. This provides an overview of how costs compare to those of our peers within the sector.

### ii. Cost breakdown

The following table illustrates the total costs of running the Council Housing Service, including fixed costs such as interest charges on debt for 2015-16:

<b>Description</b>	<b>Budget £</b>
Contributions to Housing Repairs	18,888,701
Supervision and Management	19,265,261
Rents, Rates and taxes	266,598
Provision for bad debts	960,910
Cost of Capital Charge (Interest payable on debt)	13,783,413
Depreciation of fixed assets	20,068,210
Debt Management Costs	121,278
Revenue Contribution to Capital Outlay	4,742,130
<b>Total</b>	<b>78,096,501</b>

### iii. How does Rotherham compare?

Changes to the operating environment may impact on costs and performance in a number of ways. The table below gives some indication of how well Rotherham is facing up to those challenges compared to our peers against a number of industry standards.

#### Cost comparison of the Housing Service 2014-15

Measure	Rotherham Outturn	Peer Average	Group Quartile
<b>Costs</b>			
Overheads as a % of direct revenue	13.8%	15.1%	Second
Total Cost Per Property of Housing Management	£265.11	£332.39	First
Total Cost Per Property of Repairs & Maintenance and Voids Management	£571.27	£759.29	First
Total Cost Per Property of Major Works and Cyclical Maintenance	£1,869.76	£2,037.51	Second
<b>Performance</b>			
Rent collected from current and former tenants as a % of rent due	98.4%	99.4%	Fourth
Average re-let time of standard lets	22.41 days	28.73 days	First
Rent loss due to empty property as a % of rent due	1.11%	1.24%	Second
Tenancy turnover rate	8.61%	7.48%	Third
Average number of days to complete a repair	7.25 days	7.72 days	Second
Percentage of repairs completed at first visit	98.56	97.7%	First
Average SAP rating	63.01	69.00	Fourth
Percentage of dwellings with a	99.98%	99.99%	Third

valid gas safety certificate			
Percentage staff turnover in year	4.1%	8.1%	First
Staff sickness absence, average number of working days lost per employee	12.1 days	9.28 days	Fourth

**Key findings and actions:**

Rotherham as a Housing Service that is low cost compared to its peers

Repairs and Maintenance performance is good

Investment is required in stock that is not well insulated, hence the low SAP rating, we have a programme to address these issues from 2016-17 onwards

Rent collection performance is poor, proposals to transform this service are being put to Cabinet in October 2016

Tenancy sustainability is lower than our peers. Therefore we incur additional cost through the lettings process. A review of the allocations policy is under way to ensure we provide further support to prospective tenants who have not managed a tenancy before. This is alongside proposals to introduce a Financial Inclusion Strategy to support tenants in their homes.

Sickness is high in comparison to our peers. We will continue to performance manage sickness in accordance with corporate policies.

The number of properties without a gas safety certificate was more than the sector average. We have reviewed our policy to speed up the no access process.

**iv. Risks**

Risks to achieving maximum value for money include:

- External economic factors, including fluctuating inflation and interest rates, are a risk which will be taken on by the Council
- SLA savings are challenging because there are external contractual obligations to achieve and competing priorities to protect services due to reductions in General Fund budgets
- Savings to support costs would lead to staffing reductions and may reduce capacity to deliver business as usual.

## **v. Proposals for 2016-17 to 2018-19**

Given the significant changes to the operating environment a Financial Action Plan has been developed to track the review of the Housing Service operating costs and income maximisation. This is overseen by monthly officer meetings chaired by the Interim Assistant Director of Housing and Neighbourhoods. Key areas of activity to reduce costs are summarised below:

### **a. Greater value for money from support costs**

We will continue to ensure that the Council's support costs, (for example support staff and Service Level Agreements) are value for money.

We will continue to seek efficiency savings from SLAs where the service is being restructured in view of the current budget pressures to the wider Council General Fund. Where these reductions result in a reduced service to the HRA decisions will be made about whether this is in tenant's interests.

Every three years there is an actuarial review of the HRA's pension liability. The costs of known pension liabilities have been included within the Supervision and Management costs of the service.

### **b. Greater value for money from Morrison FS and Wilmot Dixon**

During 2016, discussions will continue with our contract partners to determine how additional efficiencies can be delivered from the remainder of the contract. We will continue with the same principle as in previous years, in that any cost savings generated through the contract mechanism will be re-invested into council housing. There have been efficiency savings of £1.36m returned to the HRA since the start of the Repairs and maintenance contracts. These savings have so far been invested in the ongoing construction of four disabled person units and we plan to spend a further £350,000 acquiring a residential property which will be leased by Children and Young People's Services to provide accommodation for local children in care. Going forward from 2016-17 the shared savings ratio will move from 70:30 in favour of the contractor to 50:50 so this may increase savings generated to the council to re-invest in the HRA.

It is also recognised that tenants of Rotherham also receive other indirect benefits through the council's partnership with Morrison FS and Wilmot Dixon via their Corporate Social Responsibility (CSR) Programmes operating within the borough. At the time of writing the CSR Strategy for 2016-17 is being developed but recent activities have included ten people employed on Willmott Dixon Apprenticeship Scheme and the Willmott Dixon partnerships Opening Doors, Work Experience program.

### **c. Procurement Strategy for Construction contracts**

The R & M Contracts currently run until April 2019 with the possibility of extension to April 2020 at which point a new arrangement will need to be put in place. This arrangement was procured in 2009-10 under an EU Competitive Dialogue process and involved the transfer of the then internal workforce to the private sector. While the contract gave no guarantee of value or volume an obligation does exist to provide work for the 350 staff that transferred out of the Councils workforce on 1st November 2010. The current approach to this is one of seeking to maximise the use of the existing partnership where it is reasonably possible, offers VfM and remains within the scope of the original OJEU notice. We anticipate when the contracts are renewed there will be potential costs savings to be generated through lower staffing as the TUPE'd work force numbers continue to reduce and replacement staff are employed on lower cost terms and conditions.

Currently approximately £30m is spent on planned works through the Repairs and Maintenance Framework and a further £13 million is procured through competitive tender. This is the largest area of expenditure and is therefore the area of spend that will need to generate the most savings if the forecasts within the HRA Operating Statement are to be achieved. Total savings required over the next 5 years from this area of the business total £45m. A significant proportion of these savings will be achieved by reducing the planned expenditure of circa £48m over the next 5 years acquiring new properties. In future the acquisitions programme will be reduced to circa £10m. This will be kept under review so that any further cost savings from other parts of the business will be invested in this area.

The approach to this will be two-fold:

1. To seek to work with existing framework agreements let by other authorities / organisations where these can be shown to offer VfM and a suitable route to market.
2. To put in place a Rotherham based framework for external works to meet the following objectives:
  - To allow the opportunity for existing contract partners to bid for more works within Rotherham and outside the constraints of the R & M Contract – they may or may not be successful in gaining a place on this framework depending upon the level of market competition.
  - To seek to foster the use of Local businesses both small and large that is unlikely to be represented on national frameworks.
  - To drive competition that sometimes fails to materialise when using national frameworks
  - To speed up the process of commissioning works having only to address the OJEU requirements once at the outset.

- To ensure the contract is available for use on properties held by leaseholders, again reducing consultation times.

Any other unique or specific requirements will be procured in line with RMBC Standing Orders and Financial Regulations.

We recognise as the Council becomes more sophisticated in managing its housing assets, through understanding the Net Present Value of our assets further efficiency savings should be generated. At the current time these cost savings equate to circa £400m over the life of the business plan.

#### **d. Review of Tenant services**

Over the next three years a number of initiatives are planned to reduce costs these include:

1. Decommissioning of garage sites as part of the development of the Garage strategy- this will reduce not only repairs and maintenance costs but also costs associated with management of these tenancies within the Housing Management service.
2. Communal area upgrades will be an invest to save in automated lighting, windows and heating systems to reduce long term running costs of communal areas.
3. Land disposals that are currently of low amenity value on estates will be pursued. This will reduce ongoing maintenance costs to the service and also where possible generate capital income to fund future acquisition of new council housing.

#### **vi. Financial impact of proposals**

The table below summarises the planned cost of value for money savings over the three years of this business plan. Each figure in the tables represents a one off saving (negative numbers) or cost (positive numbers) compared with the 2016-17 budget and does not take into account inflation.

<b>Description</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>Total</b>
<b>Review of Support Service SLA's</b>	<b>-£50,000</b>	<b>-£65,000</b>	<b>-£65,000</b>	<b>-£180,000</b>
<b>Supervision and Management</b>	<b>-£400,000</b>	<b>-£392,000</b>	<b>-£384,000</b>	<b>-£1,176,000</b>
<b>Repairs and Shared Maintenance savings</b>	<b>-£250,000</b>	<b>-£250,000</b>	<b>-£250,000</b>	<b>-£750,000</b>
<b>Tenant Services</b>	<b>0</b>	<b>-£30,000</b>	<b>-£30,000</b>	<b>-£60,000</b>
<b>Total</b>	<b>-£700,000</b>	<b>-£737,000</b>	<b>-£729,000</b>	<b>-£2,166,000</b>

These savings will ensure the forecasts in the HRA Operating statement are achieved.

## **8. Risk Management**

Self-financing involved a significant transfer of risk from Central Government to the Council. Variables such as interest rates, cost inflation, number of homes owned etc. are all risks managed by the council.

Any adverse changes in rental income (for example as a result of welfare reform or changes in the number of Right-to-Buy sales) must be managed locally.

The risks associated with the HRA Business Plan demand a smarter approach to risk management. The Council will closely monitor the viability of the HRA Business Plan; through the governance structure described in section 2, by building a HRA Business Plan monitoring report to monitor key variables such as:

- Number of homes
- Rental income
- Rent arrears and bad debts
- Voids and void rent loss
- Debt levels and repayment
- Reserve levels, and
- Maintenance backlog.

The risk management plan for the HRA Business Plan is attached at Appendix D. The plan follows the Council's risk management methodology and approach. It includes a clear description of the risk, an assessment of probability and impact of the risk, a summary of controls and cost consideration and information on when the risk will be reviewed.

The risk management plan is updated, tracked and monitored through the governance structure described under the Governance section. The management plan will be revised as the situation changes - especially regarding interest rates and inflation - in light of Government announcements such as continuing welfare reforms as part of process of monitoring changes in variables and performance.

Significant risks will be placed on the Corporate Risk Register and risk issues will be escalated through the Council to Departmental Leadership Team and Senior Leadership Team as necessary.

The Council has risk based reserves to ensure that HRA reserves are maintained at the appropriate level. The reserves will be maintained at the appropriate level to fund potential future financial pressures from risks such as welfare reform and investment requirements.

The detailed financial model behind the HRA Business Plan includes a number of assumptions we have used to understand what resources will be available for council housing over the next three years in the context of the next thirty years. These baseline assumptions are detailed at Appendix B.

## **9. Conclusion**

The HRA 30 year business plan demonstrates we have a well-run and efficient business. Over the life of the plan we are able to meet the needs of our tenants whilst generating significant surpluses. These surpluses provide the council with enormous opportunities to improve the well-being of our tenants and further enhance our housing stock and neighbourhoods.

Over the life of the business plan total income is expected to be £2,772m and total planned expenditure will be £2,765m. Cumulative surpluses by year 30 of plan will be £35.2m. Over the first 10 years of the business plan there are significant financial pressures to overcome, namely pressure on income due to welfare reform and the annual 1% rent reduction until 2019-20. These pressures are being managed by making costs savings over the first 3 years of £2.2m within Supervision and Management, £0.5m in Repairs & Maintenance and £20m within Capital Investment and using reserve balances of £7.035m. Throughout the period it is planned to maintain a minimum reserve balance of £3m which will mitigate risks associated with welfare reform, this represents a reduction of £3m since the previous Business Plan but is a reflection of the day to day financial pressures facing the HRA. Bad debt provision has been retained at 2% up to Year 10 to mitigate any increase in rent arrears due to ongoing welfare reforms.

## **Appendices**

### **HRA Financial Information Appendix A**

Housing Revenue Operating Account – 30 year projections

HRA 30 Year Investment Plan

### **HRA Financial Assumptions Appendix B**

### **HRA Statement of Reserves Appendix C**

### **HRA Risk Management Plan Appendix D**

## Glossary of Key Terms

<b>Term</b>	<b>Definition</b>
Housing Revenue Account (HRA)	The Housing Revenue Account is the financial account used by the local authority for council housing income and expenditure. The HRA is ring fenced for income and expenditure on council housing and funds services for council tenants and investment in council homes. Interest repayments of outstanding council housing debt are also funded by the HRA.
Consumer Price Inflation (CPI)	Consumer Price inflation is the speed at which the prices of the goods and services bought by households rise or fall. Consumer price inflation is estimated by using price indices. One way to understand a price index is to think of a very large shopping basket containing all the goods and services bought by households. The price index estimates changes to the total cost of this basket. Most ONS price indices are published monthly.
Retail Price Inflation (RPI)	Calculated using the Retail Price Index (RPI). It is a measure of inflation published monthly by the Office for National Statistics. It measures the change in the cost of a representative sample of retail goods and services.
Interest Rates	An interest rate is the rate at which interest is paid by borrowers (debtors) for the use of money that they borrow from lenders (creditors). Specifically, the interest rate is a percentage of principal paid a certain number of times per period for all periods during the total term of the loan or credit. Interest rates are normally expressed as a percentage of the principal for a period of one year
Income	Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.
Capital Expenditure	Capital Expenditure (under the Local Government Act 2003): Expenditure that falls to be capitalised in accordance with proper practices. The secretary of state may by regulations provide that expenditure may or may not be treated as capital expenditure by authorities (or that particular expenditure is capital expenditure for a specific authority).
Surpluses	Total value of income remaining after all costs (expenditure) have been accounted for.
Deficit	A deficit is an excess of expenditures over revenue in a given time period
Reserves	Unrestricted cash available to fund business costs as required e.g. in periods when the HRA is forecast to operate at a deficit or to mitigate any future risks to the HRA such as welfare reform.
Net Book Value	The value of HRA assets on the council's balance sheet.
Social Housing Adjustment Factor	The percentage reduction in the value of housing assets owned by the council to reflect that properties have sitting tenants, rent increases are subject to social housing regulations and tenants have a Right to buy the freehold on the property.
Self	The objectives of this reform to council housing finance are to give

Financing	councils the resources, incentives and flexibility needed to manage their own housing stock for the long term and to drive up quality and efficiency; as well as giving tenants the information they need to hold their landlord to account.
R & M	Repairs and Maintenance
Service Level Agreements (SLA)	Agreements with other Rotherham MBC departments for the supply of goods and services to assist in the management of council housing.
Audit Committee	<p>The Council has established an Audit Committee comprising five non-executive members of the Council. The Committee will be attended by a representative of the Council's external auditors as well as senior officers of the Council. The Committee's remit is – Revised May 2014</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> to consider all issues relating to audit matters, both internal and external;</li> <li><input type="checkbox"/> to monitor and review the effectiveness of risk management systems, including systems of internal control;</li> <li><input type="checkbox"/> to consider the preparation and monitoring of the internal audit plan;</li> <li><input type="checkbox"/> to consider summary reports of each internal audit and value for money study undertaken;</li> <li><input type="checkbox"/> to consider the external audit plan;</li> <li><input type="checkbox"/> to consider reports from the external auditor, including value for money, systems and final accounts audits;</li> <li><input type="checkbox"/> to review and monitor the performance of internal audit;</li> <li><input type="checkbox"/> to review and monitor the anti-fraud strategy and initiatives;</li> <li><input type="checkbox"/> to ensure the receipt of 'Best Value' from all audit resources;</li> <li><input type="checkbox"/> to review and monitor corporate governance matters in accordance with audit guidelines.</li> </ul> <p>The Audit Committee will consider the external auditor's annual report on the Council's statement of accounts income and expenditure and will also consider the SAS 610 report from the external auditor. However, the external auditor's management letter will be presented to the full Council.</p>
Self Regulation Select Commission	<p>A council committee which locally elected councillors sit on. The remit of the Overview and Scrutiny boards are as set out in Procedure Rules to discharge between them the functions conferred by section 21 of the Local Government Act 2000, namely –</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> to review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are the responsibility of the executive;</li> <li><input type="checkbox"/> to make reports or recommendations to the Council or the Cabinet with respect to the discharge of any functions which are the responsibility of the executive;</li> <li><input type="checkbox"/> to review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are not the responsibility of the executive;</li> <li><input type="checkbox"/> to make reports or recommendations to the Council or the</li> </ul>

	<p>Cabinet with respect to the discharge of any functions which are not the responsibility of the executive;</p> <p>□ to make reports or recommendations to the Council or the Cabinet on matters which affect the borough or the inhabitants of the borough.</p>
Housing Excellence Plan	A plan for improving services offered to tenants and leaseholders by Rotherham Council's housing services department.
Dwelling Rents	Income charged on a weekly basis to tenants who reside in council properties and have a tenancy agreement with Rotherham MBC.
Non Dwelling rents	Rent received for land, garages, commercial property etc.
Service Charges	Additional charges to be paid by tenants for additional services such as District Heating.
Furnished Tenancy	A tenancy where furniture is provided for an additional charge.
Right to buy	The regulations that allow council tenants to purchase the leasehold or freehold of their home.
Capital Financing Requirements	The measure from April 2004 used to calculate capital charges. It is introduced and defined in the CIPFA Prudential Code
Revenue Contribution to Capital Outlay	The total value of revenue funding being used to support Capital Expenditure in a given year.
OJEU	Official Journal of the European Union – commonly used for advertising public procurement contracts.
Decent Homes Standard	<p>A government target to ensure that all social housing met set standards of decency by 2010, by reducing the number of households living in social housing that did not meet these standards. A decent home was defined as one that meets the following four criteria:</p> <p>A: It meets the current statutory minimum standard for housing</p> <p>B: It is in a reasonable state of repair</p> <p>C: It has reasonably modern facilities and services</p> <p>Dwellings failing on this point are those that lack three or more of the following:</p> <ul style="list-style-type: none"> <li>,,, a reasonably modern kitchen (20 years old or less)</li> <li>,,, a kitchen with adequate space and layout</li> <li>,,, a reasonably modern bathroom (30 years old or less)</li> <li>,,, an appropriately located bathroom and WC</li> <li>,,, adequate noise insulation (where external noise/neighbourhood noise is a problem)</li> <li>,,, adequate size and layout of common areas for blocks of flats.</li> </ul> <p>D: It provides a reasonable degree of thermal comfort.</p>