

## Summary Sheet

### **Name of Committee and Date of Committee Meeting**

Cabinet and Commissioners' Decision Making Meeting – 15 January 2018

### **Council Report**

Housing Revenue Account Business Plan 2018-19

### **Is this a Key Decision and has it been included on the Forward Plan?**

Yes

### **Strategic Director Approving Submission of the Report**

Anne Marie Lubanski, Strategic Director of Adult Care and Housing

### **Report Author(s)**

Paul Elliott, Business and Commercial Programme Manager  
01709 822494 or paul.elliott@rotherham.gov.uk

Kath Andrews, Principal Finance Officer  
01709 255987 or kathleen.andrews@rotherham.gov.uk

### **Ward(s) Affected**

All

### **Executive summary**

The Housing Revenue Account (HRA) records all expenditure and income relating to the provision of council housing and related services, and the Council is required to produce a HRA Business Plan setting out its investment priorities over a 30 year period.

Following the introduction in 2012 of HRA self-financing, whereby the Council was awarded control over its HRA in return for taking on a proportion of national housing debt, Rotherham's HRA is in a strong position with a healthy level of reserves. However a number of policies have been introduced by central government that result in a reduction to HRA resources, namely:

- 1% per annum reduction in Council rents over four years
- Reinvigoration of the Right to Buy (reduction of qualifying period to three years): Reducing stock
- Welfare reform - bedroom tax, universal credit and benefits cap: Impacting on tenants' ability to pay their rent, and increasing the resources required by the Council to collect rent from tenants in receipt of benefits
- Introduction in the future of mandatory fixed term tenancies
- Introduction in the future of the enforced sale of high value properties / equivalent levy: Meaning the Council will have to pay in the region of £2m

annually to the Treasury, to cover the costs of the discounts housing associations must offer now they can offer the Right to Buy to their tenants

Whilst significant savings were required to ensure the HRA Business Plan was balanced over the 30 year period the extent of these pressures has reduced somewhat following recent policy announcements; the most significant of which is the return of the previous rent formula from 2020-21 onwards i.e. CPI + 1% for five years. This policy change increases HRA balances by over £104m over the life of the plan.

The subsequent review of the HRA Business Plan for 2018-19 is now focused on achieving the following:

- Contributing to the borough's housing growth target of 900 homes per annum through building and/ or purchasing new properties
- Maintaining and continuing to improve our 20,500 Council homes
- Contributing to the development of low cost home ownership products that are needed locally and will play a critical role in Rotherham's overall economic growth
- Continued investment to support the General Fund budget position

This report provides a detailed technical overview of the current position and the reason for changes to the Plan. This report is to be considered alongside proposed 2018-19 rents, service charges and budgets.

## **Recommendations**

### **That Cabinet recommends to the Council:**

1. That the proposed 2018-19 Base Case for the HRA Business Plan and investment in services detailed within be approved.
2. That the plan be reviewed annually to provide an updated financial position as new government regulations come into force.

### **List of Appendices Included**

Appendix A – HRA Business Plan 2018-19

Appendix B – HRA Operating Statement

Appendix C – Summary of modelled Business Plan Scenarios

Appendix D – Government Policy Changes affecting the HRA Business Plan

### **Background Papers**

HRA Business Plan 2016-17

DCLG Guidance on Rents for Social Housing from 2015/16 (May 2014)

### **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

Overview and Scrutiny Management Board – 10 January 2018

Council – 28 February 2018

### **Council Approval Required**

Yes

### **Exempt from the Press and Public**

No

## **Housing Revenue Account Business Plan 2018-19**

### **1. Recommendations**

That Cabinet recommends to the Council:

- 1.1 That the proposed 2018-19 Base Case for the HRA Business Plan and investment in services detailed within be approved.
- 1.2 That the plan be reviewed annually to provide an updated financial position as new government regulations come into force.

### **2. Background**

2.1. This report sets out the proposals for the HRA Business Plan for 2018-19 onwards and provides information on the positioning of the HRA Business Plan as a driver of Housing Growth to assist in meeting the Council's housing objectives. In essence the overall approach is to make savings where it is feasible to do so these can be invested in future housing growth and to position the housing service so it is best placed to respond to future challenges that come.

2.2 It was originally envisaged there would be a profoundly different position for the HRA finances following the 2015 Summer Budget. However in recent months there have been some significant shifts in government policy, which whilst resources are still significantly lower than anticipated at the onset of self-financing in 2012, they are far healthier than the Council had been planning for a year ago.

2.3 The key shift in policies that has resulted in changes to underlying assumptions are:

- Agreed rent formula of CPI + 1% from 2020-21 onward for five years. Previously it had been assumed CPI only would apply in this period.
- Removal of pay to stay which would have meant any household earning over £31,000 would have been required to pay at or near market rent.
- Scrapping the proposed restriction of Housing Benefit to Local Housing Allowance rate for new tenants from April 2019.
- Delayed introduction of the sale of higher value Council Properties until 2018-19

2.4 Whilst there have been a number of welcomed policy changes, there are still multiple policies which will continue to impact directly or indirectly on the amount of resources available with the HRA Business Plan. These are summarised as:

- Reduction in the Benefit Cap to £20,000 per annum for families (£13,400 for a single person) commenced in December 2016 Restriction of Housing Benefit for people aged 18 to 21 (from April 2018)
- The sale of higher value Council Properties (assumed first payment to be made in 2018-19 and annually thereafter)
- The ending of lifetime tenancies for new tenants

- Roll out of full service Universal Credit to all remaining working age tenants in Rotherham from July 2018 onwards
- 2.5 The combined effect of these changes is likely to have a significant impact on the nature of housing provision in Rotherham, not just in terms of Council Housing.
- 2.6 The view of Government appears to be that social housing should provide a home if a person is in need and that once the tenant has the ability to purchase a property of their own or rent from the market place then that should be the outcome. This increasingly means that Council provision will potentially be scarcer with fewer properties available. How the Council reacts to these changes will determine the HRA's ability to survive in a more difficult market place.
- 2.7 In the future new tenants will be subject to a review of their tenancies and the need to be in social housing, at least every 10 years.
- 2.8 Within this context, deriving a sustainable business plan has been problematic, in terms of estimations as to how the underlying business will change and how to address the potential reductions in income that will result from these changes, not least the requirement to reduce rents by 1% for a further two years at a time when costs are increasing.
- 2.9 The overall position remains challenging, but given the level of reserves and the previous decision to defer some investment in stock until later in the plan there is the ability to divert resources to fund housing growth and contribute to the Council's Corporate Plan.
- 2.10 There remains one as yet unquantifiable risk. This is that the Government has the power to make estimates of what the HRA should pay over to DCLG (Department for Communities and Local Government) in relation to the sale of 'higher value properties'. These estimates may bear little or no relation to actual worth. This has made the estimation of budgets for 2018-19 onwards difficult. Estimates are discussed in the report, but it should be noted that until it is understood how the costs will be calculated, these are only indicative figures.
- 2.11 Over the medium term, the significant number of changes introduced means the underlying assumptions have been reviewed to reflect the changing environment in which the HRA operates.

### **3. Key Issues**

- 3.1 The Council currently owns circa 20,500 homes, 500 leasehold homes and 3,400 garages with a turnover from rents and other sources approaching £81m per annum (excluding the sale of new properties).

3.2 The overall financial strategy for the HRA is focused on:

- Supporting housing growth (circa £57m including grant income will be available over the next five years)
- Supporting delivery of the Council's Corporate Plan
- Maintaining a sufficient level of balances both as a contingency against risks and to ensure that investment can be sustained over the period of the business plan
- Achieving and maintaining the decent homes standard
- Providing a customer focused and effective repairs service
- Supporting housing and neighbourhood management

3.3 The proposed changes means there is a need to restructure the budget. With this in mind proposals are designed to ensure:

- There is a significant contribution to housing growth and support the Council's Corporate Plan
- Whilst savings are made no action is taken that will undermine the Council's longer term ability to react to changes
- Provision is made to ensure there are sufficient resources available to invest in services where there is an identified need
- The longer term viability of the HRA business plan is maintained
- Budgets remain flexible to react to any significant changes in property numbers currently expected or further government policy changes
- No early repayment of debt is made

#### **Financial Position of the HRA**

3.4 The HRA currently has a healthy financial position with a general reserve balance forecast to be £33m and a Major Repair Reserve of £7.5m as at the end of March 2018. A summary of Income and Expenditure for 2017-18 follows:

| HRA Operating Statement - October 2017   | 2017/18 Full<br>Year Budget | 2017/18<br>Forecast<br>Out-turn |
|--|-----------------------------|---------------------------------|
|  | £'000                       | £'000                           |
| <b><u>Expenditure</u></b>                |                             |                                 |
| Contributions to Housing Repairs Account | 19,395                      | 19,395                          |
| Supervision and Management               | 20,860                      | 20,548                          |
| Rents, Rates, Taxes etc.                 | 230                         | 230                             |
| Provision for Bad Debts                  | 1,332                       | 1,232                           |
| Cost of capital Charge                   | 13,389                      | 13,389                          |
| Depreciation of Fixed Assets             | 20,083                      | 20,083                          |
| Debt Management Costs                    | 125                         | 125                             |
|  |                             |                                 |
| <b>Expenditure</b>                       | <b>75,414</b>               | <b>75,002</b>                   |
| <b><u>Income</u></b>                     |                             |                                 |
| Dwelling Rents                           | -77,341                     | -77,341                         |
| Non-dwelling Rents                       | -773                        | -773                            |
| Charges for Services and facilities      | -4,791                      | -4,904                          |
| Leaseholder Income                       | -101                        | -152                            |
| Other fees and charges                   | -299                        | -306                            |
|  |                             |                                 |
| <b>Income</b>                            | <b>-83,305</b>              | <b>-83,476</b>                  |
|  |                             |                                 |
| <b>Net Cost of Services</b>              | <b>-7,891</b>               | <b>-8,474</b>                   |
|  |                             |                                 |
| Interest received                        | -100                        | -100                            |
|  |                             |                                 |
| <b>Net Operating Expenditure</b>         | <b>-7,991</b>               | <b>-8,574</b>                   |

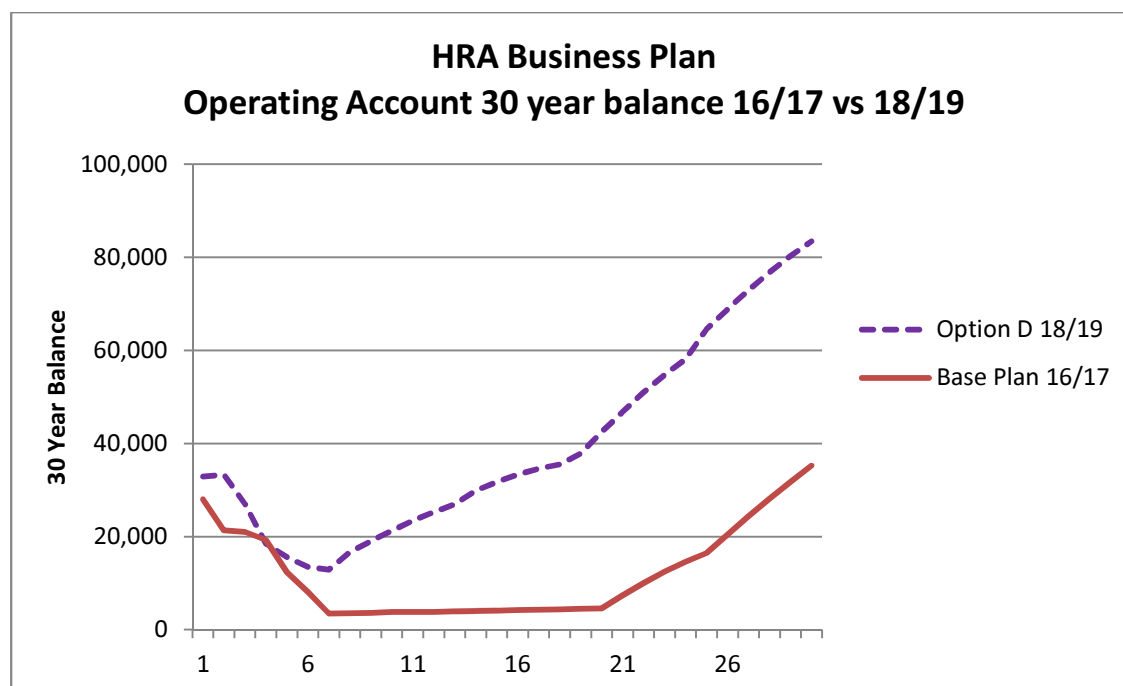
- 3.5 The £8.5m operating surplus is being used to fund part of the Housing Capital Programme via a Revenue Contribution to Capital Outlay (RCCO).

### Supporting Housing Growth

- 3.6 Going forward whilst the financial position of the HRA deteriorates over the next two years due to the ongoing 1% per annum rent reduction this is against a backdrop of a healthy reserves position. These levels of reserves represent a significant opportunity to support housing growth throughout the borough over the next five years. Consequently it is proposed that £57m of HRA resources will be invested in building new homes over the next five years. This includes grant from the HCA of £6.8m. Assuming all properties developed for private sale are sold at forecast values, this will result in sales income of circa £16m.

- 3.7 The following graph shows the impact on the Operating Account due to changes in underlying assumptions following new Government policies and gearing the business plan towards support housing growth when compared to the previous business plan:

### Operating Account Balance based on modelled assumptions



- 3.8 In arriving at the 2018-19 Base Option D a series of assumptions have been modelled which give a variety of different scenarios over the life of the business plan. A summary of these scenarios are detailed at Appendix D. The key changes to assumptions modelled from the 2016-17 Base to 2018-19 Base Option D have been:

- 2018-19 Base Option D** – this assumes that rents will decrease by 1% for two more years and then increase by CPI + 1% for five years (in line with government rent formula) then CPI only for the remainder of the plan. Right to Buy sales have been increased to 200 per year from Year 4 of the plan. To accommodate the reduction in income as a result of increased RTB forecasts 50% of Supervision and Management expenditure has been flexed along with 75% percent of Repairs and Maintenance expenditure (excluding disabled adaptations and garages) in proportion to RTB sales. It also assumes repairs and maintenance expenditure will reduce by 10% for a period of five years from 2020-21 onwards. It also proposes to invest a further £1m per year in Supervision and management and one off investments of £4m to the General Fund. It continues to assume an annual Higher Value Property Levy of £2m. **This results in an Operating Surplus at Year 30 of £83m.**

3.9 In developing the 2018-19 Base Case Option D, Ken Jones, an LGA Advisor and former Director of Housing Strategy at Barking and Dagenham Council has supported the Housing and Neighbourhoods management team to develop and challenge the proposals contained in the plan. In addition, Capita Housing and Consultancy have undertaken a review of the HRA Business Plan to confirm it is arithmetically correct.

3.10 The Proposed 2018-19 Base Case Option D results in an increase to forecast surpluses of circa £48m when compared to the previous approved plan. Although this is against a backdrop of reductions of circa £360m in the 2015-16 plan. The assumptions detailed ensure expenditure is kept in line with forecast income throughout the life of the business plan.

3.11 Although the Operating Account surplus at Year 30 for the preferred option is lower than other scenarios this has been chosen because:

- It provides opportunities to contribute to the housing growth agenda through deferring stock investment and reducing repairs and maintenance expenditure where it is sensible to do so.
- It enables investment of £1m per annum to develop capacity to deliver on the Council's service priorities to meet the increasingly complex needs of our tenants.
- It increases contributions to the General Fund by £4m over the period 2017-18 to 2020-21.
- Expenditure is reduced proportionately to stock size, so mitigating the effect of increasing Right to Buys.
- RPI is set at 0.25% higher than CPI so provides a more prudent assessment of potential cost inflation compared to some other scenarios.
- Rent increases are kept in line with CPI following expiry of the government's new social rent formula for five years from 2020-21 to increase rents by CPI + 1%.
- Repairs and maintenance costs reflect the current fixed overhead charge of circa 25% until 2019-20.
- Although debt is not repaid, there is no additional borrowing requirement.

### Impact on the Housing Growth agenda

3.12 Through reviewing the business plan it has provided an opportunity to re-focus HRA resources on the construction and acquisition of new council homes and facilitate the provision of other tenures. The business plan supports delivery of multiple housing schemes throughout the borough across a variety of tenures as detailed below:

|  | 2017/18   |                  | 2018/19    |                   | 2019/20    |                   | 2020/21   |                  | 2021/22   |                  | TOTAL      |                   |
|--|-----------|------------------|------------|-------------------|------------|-------------------|-----------|------------------|-----------|------------------|------------|-------------------|
|  | Units     | £                | Units      | £                 | Units      | £                 | Units     | £                | Units     | £                | Units      | £                 |
| Strategic Acquisitions/ New Build Programmes | 14        | 1,673,602        | 29         | 3,189,495         | 30         | 2,611,750         | 27        | 2,459,000        | 15        | 1,890,000        | 115        | 11,823,847        |
| SOAHP & Bungalows                            | 0         | 556,311          | 42         | 5,405,187         | 43         | 6,171,694         | 33        | 4,673,808        | 0         | 0                | 119        | 16,807,000        |
| Site Clusters                                | 0         | 3,930,395        | 72         | 13,654,703        | 110        | 10,446,742        | 35        | 738,755          | 0         | 0                | 217        | 28,770,595        |
| <b>TOTAL</b>                                 | <b>14</b> | <b>6,160,308</b> | <b>143</b> | <b>22,249,385</b> | <b>183</b> | <b>19,230,186</b> | <b>95</b> | <b>7,871,563</b> | <b>15</b> | <b>1,890,000</b> | <b>451</b> | <b>57,401,442</b> |



3.13 In supporting the housing growth agenda it assists in:

- Delivery of the Council’s housing growth target
- Generates additional income into the HRA
- Provides a return on investment for cash (reserves) in the HRA
- Mitigates stock reduction as a consequence of Right to Buy

### **Impact on Repairs and Maintenance**

3.14 Given the level of historic investment in existing stock, circa £130m over the past five years, that the stock is overwhelmingly traditional build and its condition is at or beyond the decent homes standard, there is ample opportunity to reallocate investment from this area to further increase the Council new build programme. This will create additional housing assets, generate greater rental income and meet housing need in the borough. The proposed budget and savings for the next 7 years are detailed below:

| <b>Year</b>    | <b>Repairs and Maintenance Budget £'000s (savings included)</b> | <b>Repairs and Maintenance Budget Savings £'000s</b> |
|----------------|---|--|
| <b>2018-19</b> | 19,954  | 0  |
| <b>2019-20</b> | 20,566  | 0  |
| <b>2020-21</b> | 19,022  | 2,095  |
| <b>2021-22</b> | 19,363  | 2,131  |
| <b>2022-23</b> | 19,662  | 2,167  |
| <b>2023-24</b> | 19,957  | 2,204  |
| <b>2024-25</b> | 20,256  | 2,241  |
| <b>Total</b>   | <b>138,780</b>  | <b>10,838</b>  |

3.15 Whilst significant; in the context of the overall property based budgets, the repairs and maintenance savings equate to a 10% reduction in spend from 2020-21 for five years. This timeline allows for consultation with tenants and Councillors on what the new service offer will look like prior to commencement of the new repairs and maintenance contracts in 2020-21. Housing Services will look to reduce demand for those repairs, having minimal impact on residents and being low risk and in line with best practice across the industry. It is also envisaged the re-tendering exercise, will also deliver organic savings and provide the opportunity to deliver the same or improved services in a different and more innovative way, at a lower cost to the Council.

### **Supporting tenants with Financial Pressures**

3.16 A key priority is the ongoing work mitigating the impact of welfare reform and general financial pressures tenants face. 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 Financial Inclusion team. The HRA also supports the Advocacy and Appeals service through funding for Money Advice Officers to support tenants in rent arrears manage priority debts.

3.17 Following a restructure of the Housing Income Service in 2017-18 which saw staffing levels more than double, following an investment of over £600k per annum, there continues to be a cultural transition to develop an approach which can be summarised as having a commercial mind and social heart. A key driver for this change has been the ongoing squeeze on tenant's incomes so the service now has a dedicated Financial Inclusion team that supports tenants facing financial exclusion.

3.18 The housing service also have active partnerships with a number of other partners and Directorates all aimed at supporting tenants maximise income and promote independence thereby increasing their ability to pay rent:

1. Age UK, Rotherham
2. Laser Credit Union
3. Children's and Young Persons Service
4. HR Employability Project
5. Employability Support Officer

### **Investment in other Council Housing Services**

3.19 In reviewing the business plan, it is assumed there will be growth in the management and administration costs to the HRA of circa £1m per annum for the remainder of the plan. This assumes that £1m from cost savings identified within the plan following a review of average underspends within the HRA Management and Administration budgets over the last five years will be spent on:

- Investment in the Strategic Housing and Development Service to provide capacity to deliver the housing growth agenda detailed earlier in the report.
- Increasing capacity in the Housing Option Service to provide support to prevent homelessness in preparation for introduction of the Homelessness Reduction Act
- Establishing a Business Planning and Improvement Unit
- Establishing a Tenancy Involvement and Strategic Partnering Team
- Changes to the management of compliance functions through the creation of a small Mechanical and Electrical team.
- Increasing capacity within the Housing and Neighbourhood Management team to support vulnerable customers with high need on their journey to a more independent future.

3.20 A further one off investment of £4m will be made enhancing support services contained in the General Fund over the period up until 2020-21. In addition it is proposed to work in partnership with Adult Care to complete a review of Rothercare so it is transformed into a service which promotes customers to maintain independence within their own home for as long as possible. As around 60% of service users live in Council properties it is proposed to consider

transferring the service into the HRA. This would cost circa £1m per annum from 2019-20 with the intention for the service to reach a breakeven point by 2021-22.

### **Impact of the proposed scenario**

3.21 The impact of the changes to the business plan are summarised below:

- There will be £57m spent on housing growth over the next five years. This will result in 451 new properties being built or acquired
- The General Fund will receive additional funding for HRA support services of £4m over the next 4 years.
- There will be £6.4m less spent on day to day repairs over the next five years
- There will be £5m more invested into developing capacity in the Housing Service to deliver Council priorities.
- By Year 30 the plan forecasts the housing stock size will have reduced to circa units 15,029. i.e. a reduction of around 5,000 units.
- There will be surpluses of £83m by year 30.

3.22 These savings have already been factored into the proposed HRA budgets within the HRA Business Plan Base 2018-19 Option D. The challenge is to ensure that the savings to repairs and maintenance budgets are delivered and tenants are consulted on their priorities for the future of Council housing in Rotherham.

## **4. Options considered and recommended proposals**

4.1 A series of options were considered as part of scenario modelling, these are detailed at Appendix D of the report. Details of the preferred HRA Business Plan Base Case Option D are set out in the main body of the report. This will result in the HRA having an Operating Surplus of £83m by Year 30 and provide support to the housing growth agenda and the Council's General Fund position.

## **5. Consultation**

5.1 The Tenants Quality and Standards Group will be consulted and their comments will be incorporated into future revisions of the plan.

5.2 The Housing Service undertake an annual survey of tenant's views, referred to as the Star (Standard Tenant Assessment Response) Survey which supports how resources are targeted and allows the Council to benchmark satisfaction with other social housing providers. The most recent survey found:

- 85% of tenants are satisfied with the overall service provided
- 85% of tenants are satisfied with the quality of their home
- 82% of tenants believe their rent provides value for money
- 63% of tenants were satisfied that their views were listened to and acted upon
- Satisfaction with grounds maintenance and estate services were varied across the borough

- 5.3 The HRA Business Plan responds to some of the above concerns by increasing investment in Tenant involvement services and increasing capacity in the Housing and Neighbourhood Management teams.
- 5.4 The HRA Business Plan also supports housing growth, the targets which were set following The Rotherham Strategic Housing Market Assessment which was completed in 2015; and consisted of a large scale resident survey, targeted focus groups and detailed analysis of housing market, population and demographic data. The study contains a calculation which takes into account delivery of new housing against newly forming households to highlight any shortfall. The Rotherham SHMA concluded that 900 new homes are required per year to meet housing needs in the borough, a quarter of which should be 'affordable'. The data from the study has been used to develop Housing Profiles for each ward which considers specific housing needs, and sets out opportunities for housing growth at a local level.

## 6. Timetable and Accountability for Implementing this Decision

- 6.1 The table below shows the approval timeline:

| Date     | Meeting   |
|----------|---|
| 10/01/18 | Overview and Scrutiny Management Board Meeting    |
| 15/01/18 | Cabinet and Commissioners Decision making meeting |
| 28/02/18 | Council   |

## 7. Financial and Procurement Implications

- 7.1 In developing the HRA Business Plan the CIPFA / CIH code of practice for a self- financed housing revenue account; the Financial Viability principle has been taken into account which states that:
- The housing authority has arrangements in place to monitor the viability of the housing business and take appropriate actions to maintain viability.
- 7.2 A reduction of 1% on rental values as required by legislation and assuming CPI increases only thereafter, compounded for 30 years had a significant detrimental impact on the potential HRA balances. Income within the HRA Business Plan was £638m lower as a result. Newly introduced legislation now allows rents to be increased by CPI plus 1% for five years from April 2020. This results in additional income of £104.6m over the life of the plan.
- 7.3 Significant cuts to capital Investment built into the plan in 2016/17 have remained in place. Work is ongoing to manage this and it may be delivered in part by extending the life of building components and by planning in advance. There is potential to make further savings on capital costs when the new repairs/maintenance contracts are negotiated.
- 7.4 Reductions to revenue Repairs/ Maintenance costs of £10.8m have been incorporated into the HRA Business Plan from 2020/21 to 2024/25(detailed at

3.14 above). It is anticipated that these savings can be made from 2020, when the existing repairs/maintenance contracts end and contracts based on revised service standards are negotiated.

7.5 Due to the increased rental income anticipated as per 7.2 there is no longer a shortfall of capital funding within the plan.

7.6 The HRA Business Plan assumes an annual payment to central Government of £2m for the higher value property levy. As previously noted it is not possible at this stage to confirm the accuracy of the estimate until the detailed regulations are issued by DCLG. Any change in the estimate will need to be reflected in a revision to the business plan.

7.7 Significant investment in property developments and acquisitions of £57.4m has been built into the plan over the next five years. On current assumptions the Business Plan indicates that this is fundable within available resources. Affordability is reliant upon £28.8m of funding which has been built into the plan: £6.8m of HCA grant funding, £6m of unallocated capital receipts and sales income of £16m from properties built for sale and shared ownership.

## **8. Procurement Implications**

8.1 There are no procurement implications.

## **9. Legal Implications**

9.1 The legal Implications, where known, are covered the main body of this report. Further detail is awaited from central government on some legislative changes under the Housing and Planning Act 2016, such as the higher value property sales provisions, which may alter some of the estimates made in this report.

## **10. Human Resources Implications**

10.1 There are no immediate human resource implications although the proposal for expanding existing and developing new business units will result in a requirement for additional staffing resource.

## **11. Implications for Children and Young People and Vulnerable Adults**

11.1 There are no implications for children and young people or vulnerable adults.

## **12. Equalities and Human Rights Implications**

12.1 There are no Equalities and Human Rights implications.

## **13. Implications for Partners and Other Directorates**

13.1 This proposal is about making effective use of council assets and managing them to best effect. It contributes to the sustainable neighbourhood's agenda by addressing future investment needs and will help deliver a better quality of affordable housing to the community.

## **14. Risks and Mitigation**

- 14.1 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.
- 14.2 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.
- 14.3 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 the Business Plan at Appendix A, 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
- 14.4 The risk management plan for the HRA Business Plan is contained in the HRA Business Plan at Appendix A. 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.
- 14.5 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.
- 14.6 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.
- 14.7 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.

## **15. Accountable Officer(s)**

Anne Marie Lubanski, Strategic Director of Adult Care and Housing  
Tom Bell, Assistant Director of Housing and Neighbourhood Services

Approvals obtained on behalf of:-

|   | <b>Named Officer</b> | <b>Date</b> |
|---|----------------------|-------------|
| Strategic Director of Finance & Customer Services | Mark Scarrott        | 04/12/2017  |
| Assistant Director of Legal Services              | Neil Concannon       | 05/11/2017  |
| Head of Procurement (if appropriate)              | Not applicable       |             |
| Head of Human Resources (if appropriate)          | Not applicable       |             |

*Report Authors: Paul Elliott, Business & Commercial Programme Manager  
01709 822494 or paul.elliott@rotherham.gov.uk*

*Kath Andrews, Principal Finance Officer  
01709 255987 or kathleen.andrews@rotherham.gov.uk*

This report is published on the Council's website or can be found at:-  
<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=>