Stevenage
BOROUGH COUNCIL

Part I
Release to Press

Meeting: **EXECUTIVE** **Agenda Item:** **7**

Portfolio Area: Housing, Health and Older People

Date: **22 November 2016**

HOUSING REVENUE ACCOUNT BUSINESS PLAN REVIEW

KEY DECISION

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1 PURPOSE

1.1 To highlight the considerable impact of Government policy changes on the Council's 30-year Housing Revenue Account (HRA) Business Plan.

1.2 To set out revised HRA Business Plan service proposals and financial assumptions that focus on delivering the Council's Housing and related Future Town Future Council (FTFC) commitments and on addressing the funding shortfall resulting from the Government policy changes.

1.3 To seek approval for the HRA Business Plan.

2 RECOMMENDATIONS

2.1 That the key challenges, proposals and changes to the HRA Business Plan and 30-year Financial Plan, as shown in the tables at paragraphs 4.1.1 to 4.1.3 of this report are agreed, subject to approval of the savings options that are recommended in a separate report to this Executive meeting.

2.2 That the proposal to revise the HRA Business Plan assumptions to include new borrowing, as set out in paragraphs 4.2.4 and 4.2.5, is agreed.

2.3 That the specific proposal to offer 50% of new build units at affordable rent levels is agreed, subject to approval of the revised Rent and Service Charge Policy and its implementation being kept under review by the Housing Development Executive Committee, to inform future decision making in this regard.

2.4 That the HRA Business Plan document is revised to reflect the proposals contained in this report and that delegated authority is given to the Strategic Director (Community), following consultation with the Leader, the Executive Portfolio Holder for Housing, Health and Older People and the Executive Portfolio Holder for Resources, to agree the final version of the plan.

2.5 That the officer HRA Business Plan Implementation Group continues to track delivery of the plan and report into the Housing Management Board.

3. BACKGROUND

3.1 The Council's HRA Business Plan was approved in November 2014 and included a significant investment plan to support commitments relating to new build, existing housing assets and service improvements.

3.2 Since the HRA Business Plan was agreed, the Council has developed a new Corporate Plan that is the subject of a separate report to this Executive meeting. The Corporate Plan sets out the outcomes and priorities the Council wants to achieve over the next 5 years, supported by a new transformation programme 'Future Town Future Council' (FTFC). This comprises nine focused work programmes, the most significant programmes of which for the HRA Business Plan are:

- Housing Development
- Excellent Council Homes for Life
- Financial Security

3.3 In delivering against corporate priorities and housing service objectives within the resources available, the HRA Business Plan aims to achieve a balance between:

- Spending on housing management, maintenance and support services that meet the needs of our customers and reflect their priorities, whilst maintaining efficiencies
- Investing in the existing housing stock to ensure the ongoing quality and sustainability of our assets
- Investing in new social and affordable rented homes, to seek to replace those lost through the Government's Right to Buy Scheme and to contribute to meeting local housing demand and the needs of an ageing population
- Setting rents and service charges at levels that are affordable and offer value for money to tenants and leaseholders (within national policy constraints), whilst ensuring that a healthy HRA is maintained to enable ongoing investment
- Managing the HRA debt effectively, with sufficient headroom being maintained between the level of debt and the debt cap, to mitigate against current and future volatility in the HRA

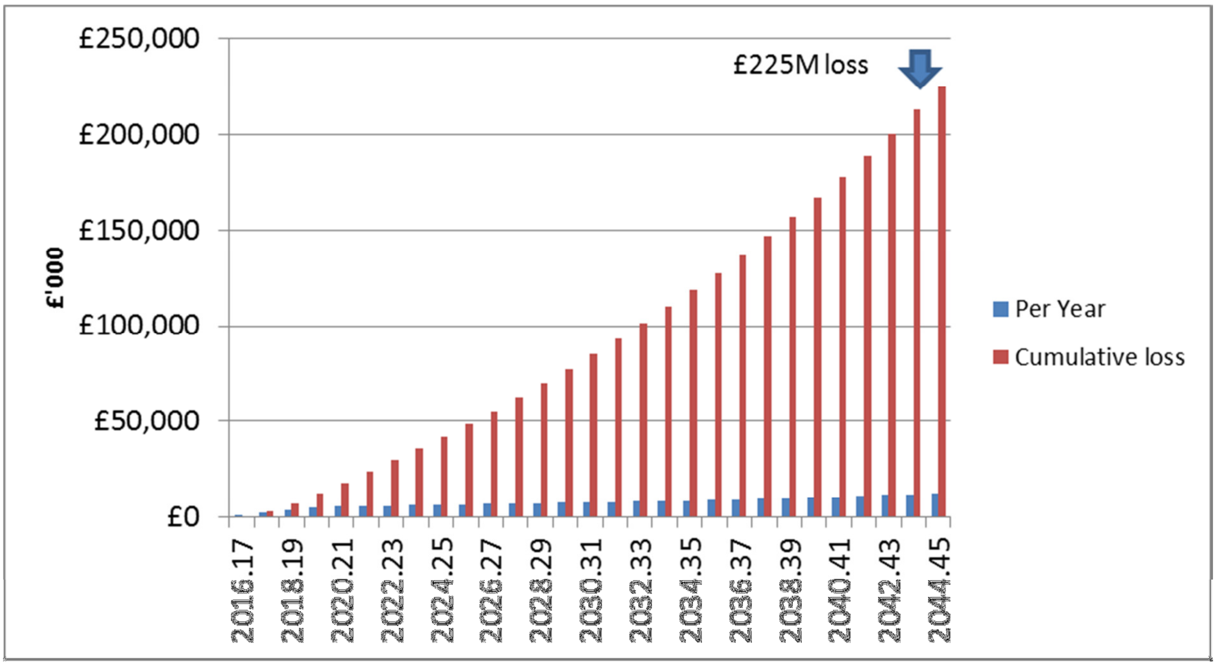
3.4 The HRA Business Plan 2014 included a Delivery Plan that set out the high level activities to be undertaken over the short-to-medium term. A summary of key achievements in 2015/16 against the 2014-2017 Delivery Plan can be seen at Appendix A.

3.5 At the time that the HRA Business Plan was approved in November 2014, overall resources were forecast to be sufficient during the 30 year period to support the implementation of the Business Plan priorities and Delivery Plan activities and to achieve a financially sustainable plan. However, the Government subsequently introduced a range of significant policy changes that will impact on our housing income, services and investment plans and on the finances of many of our customers. These changes have been/will be put into effect through the Welfare Reform and Work Act 2016, the Housing and Planning Act 2016 and a number of associated budgetary announcements, and include the following measures:

- A reduction in social housing rents by 1% a year for 4 years (2016/17-2019/20)
- A series of changes to welfare payments and entitlements, including lowering the benefit cap; freezing certain social security benefits and tax credits for 4 years; removing entitlement to the housing element of Universal Credit from some people aged 18-21; and limiting Housing Benefit to the Local Housing Allowance rate for certain social housing tenants from 2018
- A requirement for Local Authorities to pay a levy to the Government equivalent to the value of vacant ‘higher value’ properties, to fund the extension of Right to Buy (RTB) for housing associations; and to consider selling those vacant properties
- The introduction of a mandatory Pay to Stay scheme, which will result in tenants with a household income of over £31,000 paying a higher contribution to their rent
- The phasing out of lifetime tenancies, to be replaced by fixed term tenancies for new tenants

3.6 The impact on the HRA Business Plan of the 1% rent reduction alone is estimated to be a **£225m loss of rental income over 30 years**, as is illustrated in the graph below.

Figure 1: Estimated Impact of the 1% Rent Reduction on the Financial Plan



3.7 Delays in the Government issuing regulations associated with the new legislation, along with phased implementation of the welfare benefit changes, mean that there is considerable uncertainty about the financial impact of the other measures on the Council's future rental income stream and resources.

3.8 Modelling undertaken when the rent reduction was announced showed that, based on the original programme of investment, the capital programme would be significantly underfunded from 2019/20, with HRA balances remaining at minimum levels before becoming negative in 2031/2032.

3.9 The impact of the rent reduction and other Government policy changes was considered at a Senior Management Board/Executive session in October 2015, following which a number of groups were established, comprising Members, Housing Management Board (HMB) representatives and officers. The remit of these groups was to seek to agree principles that would guide officers in planning to address the funding shortfall, at least in the medium term. The groups focused on five key areas: new build; investment in the existing stock; the service offer; rents/service charges; and debt repayment and borrowing.

3.10 An officer working group has subsequently undertaken a fundamental review of the Business Plan assumptions and worked up a series of revised proposals. At the point of commencing this work, the 30-year deficit was significant (£58m over the first 15 years). This position was further exacerbated once revised Right to Buy (RTB) and High Value Void (HVV) Levy assumptions were built into the plan.

3.11 Three sessions have been held with HMB to enable them to consider the proposals and a presentation was also given to the Community Select Committee (CSC) on 19 October 2016.

4. KEY PROPOSALS WITHIN THE REVISED HRA BUSINESS PLAN

4.1 The tables below summarise the revised HRA Business Plan proposals, linked to the Council's FTFC priorities, anticipated outcomes and the challenges that need to be addressed which have previously been reported to and agreed by the Executive. They also highlight the changes that have been made in order to seek to address the deficit position.

4.1.1 Housing Development

FTFC Priority
• Housing Development
Outcomes
• New council homes, meeting the needs of local people on the Housing Register • Total number of council homes maintained over the 30 year period • Increased income into the HRA
Key Challenges
• To mitigate the impact of RTB sales on rental income and council housing supply • To address the shortfall of affordable homes in Stevenage, by providing for new development that meets housing need and by making best use of the stock • To ensure that the sheltered stock is fit-for-purpose, through re-provision of accommodation for older people
Proposals
• £448m has been allocated to the new build programme over the next 30 years (at future years' prices) – the new build share of the 30 capital programme remains approximately the same as agreed by the Executive in 2014 at 39%. • The plan makes provision for £118m of HRA capital to fund the first 10 years of the new build programme, to develop at least 550 new homes. • The initial focus will be on delivering 300 homes by 2021. A schedule of schemes that are underway or in the pipeline is outlined at Appendix B. • Opportunities to provide additional 'infill' units on HRA property sites will be pursued where funding allows. • The programme will include the development of new sheltered housing accommodation - £8m has been set aside to fund a new improved older persons scheme at Kenilworth Road. • Options for undertaking Joint Ventures with either affordable housing providers or developers are being explored as we seek to remodel or demolish other parts of the HRA stock that are regarded as being failing assets or areas of opportunity for increased and improved housing numbers.

Changes Proposed to Address the Deficit Resulting from Government Policy Changes	Implications
• That 50% of new build units are offered at affordable rent (AR) levels (i.e. up to 80% of market rent). In the event that the 80% market rent exceeds the Local Housing Allowance rate, the AR would be capped at the Local Housing Allowance level. (The Council is currently trialling a new build development scheme that has been let at affordable rent levels. This scheme demonstrated a demand for the product. Monitoring of the outcomes of this pilot scheme continues and will be reported to the Housing Development Executive Committee).	• Based on this proposal, the HRA Business Plan has assumed that 900 new build properties will be let at AR levels over the next 30 years, bringing an additional £36m income into the HRA. It is estimated that 88% of the Council's stock would remain available at social rent levels at the end of the 30 year period. • Affordability assessments would be undertaken prior to making offers to individual housing applicants.
• The 2014 HRA Business Plan assumed spend of £16m on re-provision of sheltered accommodation. This amount has been reduced to £8m but brought forward to earlier years of the plan (2018/19 & 2019/20).	• Bringing this spend forward will facilitate the development a new flagship older persons scheme at Kenilworth Road. • However, the reduced spend means that the redevelopment of other older persons accommodation cannot be funded at this time and options will be reviewed at a later date and be considered in the context of joint ventures, which would seek to lever in private funding for development.
• The plan now builds in HRA land disposal amounting to £1m in 2018/19.	• The capital receipt will be re-invested in new build development that would otherwise be underfunded.
• The growth plan that supported the 2014 HRA Business Plan has been reviewed and reduced.	• Savings amounting to £2.2m have been put forward in respect of the Housing Development share of the growth plan, details of which are provided in a separate Part 2 report to this Executive meeting.

4.1.2 **Housing Investment**

FTFC Priority
• **Excellent Council Homes for Life – Investing in Homes to be Proud Of**
Outcomes
• Tenants living in safe, well maintained, structurally sound, warm and dry homes • Fit for purpose sheltered stock • Increased tenant and leaseholder satisfaction with their homes • Positive return on our HRA assets • Value for Money achieved through contract procurement and effective programming
Key Challenges
• To continue to maintain homes to the decent homes standard • To undertake a programme of re-investment in poorly performing properties to ensure a positive return from all our assets • To ensure that the existing sheltered stock is fit-for-purpose, through investment and re-modelling • To ensure that procurement activities are robustly planned and delivered and achieve value for money
Proposals
• £660m has been allocated to planned maintenance and improvements over the next 30 years (equivalent to £350m at today's prices) – the share of the 30-year capital programme is slightly lower than in the 2014 plan at 57%, due to provision having to be made for the Higher Value Void levy. • A summary of the HRA Major Works Capital Programme 2016-2046 is attached at Appendix C, giving a breakdown of assumed investment by element over the 30 year period. • The bulk of the programme will continue to involve investment in component lifecycle replacement, in order to maintain homes at the Decent Homes standard, noting the obligation under the HCA's Regulatory Framework to do so. The DCLG's expectation is that at least 90% of the stock should meet the standard. • A significant proportion of investment (47% over the next 10 years) will be in delivering maintenance and improvements to the Council's flat blocks and surrounding areas, through a major flat block contract (to be reported at the Executive meeting in December). • £7.4m will be invested in the asset review programme, which involves re-investment in 'poorly performing' properties to ensure a positive return on our assets. The programme includes works to upgrade the public realm, upgrade & remodel flat blocks, improve the standard of sheltered housing and remodel stock to eliminate bedsits. However, the programme has been reduced compared to previous plans (see below). • Other priorities include statutory Mechanical and Engineering works and the 'Warm and Dry' programme, which is aimed at improving energy efficiency and tackling damp and condensation issues.

Changes Proposed to Address the Deficit Resulting from Government Policy Changes (all savings quoted in today's prices)	**Implications**
• It is proposed that the asset review programme is reduced from £20m to £7.4m.	• The main impact of the reduced programme will be the level of remodelling and works to the public realm that can be delivered through HRA funding. • Funding for the programme will continue to include £2m investment in improving the 'amber' sheltered housing schemes. • Some of the impact of the reduced funding for this programme will be mitigated through the flat block improvement programme. This will deliver some of public realm works but not the original level of remodelling. • Some reductions in costs have also been achieved through additional work being undertaken to further define the original proposals for bedsit remodelling, which has identified that additional units can be created with lower costs to the programme. • £3.6m of the original programme was earmarked for infill units, which can no longer be funded through the asset review programme. However, it may be possible to deliver these over time through the new build programme, including RTB 1-for-1 receipts.
• It is proposed that a proportion of the flat block programme originally planned for 2018/19 and 2019/20 (£4.2m of planned works) is pushed back to 2020-2023.	• Works will be re-profiled in line with available capital resource but the overall amount of investment in flat blocks will remain the same over the 5 year life of the contract.
• A 1.5% procurement efficiency target will be applied to the entire 30 year major works programme, amounting to an estimated saving of £3.5m.	• The service has, through recent procurement exercises demonstrated the potential to reduce the costs associated with delivering planned work programmes. The efficiency target will be challenging but is considered achievable through both procurement and value for money reviews.
• Where redevelopment plans are underway, planned major works investment assumptions will be removed from the capital programme	• Essential repairs will be carried out on these properties, but no major improvement works.

(for the current Business Plan refresh, this amounts to an estimated £6.2m).	
• Planned investment in improvements to parking provision on HRA land will be deferred beyond year 15 of the plan.	• Works can be deferred without having a significant impact on the overall investment strategy. The effect of this option is to push back an estimated £4.7m spend into the later years of the plan, when the works should be more affordable subject of course to other Government policy changes that affect available funding.
• The growth plan that supported the 2014 HRA Business Plan has been reviewed and reduced.	• Savings amounting to £1.1m have been put forward in respect of the Housing Investment share of the growth plan, details of which are provided in a separate Part 2 report to this Executive meeting.

4.1.3 **Housing Management and Maintenance Services**

FTFC Priority
• **Excellent Council Homes for Life –** **Transforming Housing Services & Sustainable Housing for Older People**
Outcomes
• Responsive, accessible, well-managed services, with a 'right first time' approach • Flexible support services that adapt to the changing needs and vulnerability of older people living in sheltered/flexicare housing and in the community • Improved processes and technological solutions that support service delivery • Improved customer satisfaction • Transparent service and support charges based on actual costs – i.e. customers clear about what they can expect and only paying for services they receive • Lettings that achieve a balance between meeting local housing need and promoting sustainable communities
Key Challenges
• To deliver transformative improvements to housing management and maintenance services • To develop fit-for-purpose services for older residents to meet the needs and expectations of an ageing population, in the context of reduced grant funding • To ensure that the Repairs and Voids service makes a net contribution to financial overheads • To implement the requirements of the Welfare Reform and Work Act and the Housing and Planning Act, where possible mitigating against the impact on both customers and the Council's finances • To ensure that the Allocation Scheme is fair and achieves a balance between meeting housing need, promoting sustainable communities and making best use of the stock, within the legal framework

Proposals	
• Following an external review of the Repairs and Voids service last year, the Enhancing Our Repairs Service change programme is underway, with the objective of transforming services to the customer and achieving a financially viable Direct Labour Organisation (DLO). This programme comprises 24 projects covering financial efficiency, operational delivery, personal and individual staff development and cultural change and is due to complete in June 2017, at which point the DLO is expected to make a positive contribution to HRA overheads. • Outcomes of an external review of Housing Management services that was undertaken earlier this year will lead to the development of a comprehensive improvement plan supported by growth funding (assumed to be £1.5m over 3 years in the HRA Business Plan). • The reduction in Hertfordshire County Council (HCC) funding streams for supported housing for older people from 2015/16 onwards resulting from Government funding cuts has prompted a thorough review of the affected services and the development of alternative service delivery proposals, as part of a wider strategic approach to older people's housing. • The 2014 HRA Business Plan made provision to cover the loss of Supporting People grant for 2 years, following which adjustments were made to gradually reduce funding for older peoples services by £100k per annum over a 3 year period. These reductions have been retained in the revised plan and savings options amounting to £145k in 2017/18 have been put forward in a separate Part 2 report to this Executive meeting. • Historically, the Council has recovered some service costs through separately identified service charges (known as de-pooling), but has used rental income to cover other service costs. An external service review report has highlighted the financial benefit of moving towards a fully de-pooled service and the need to ensure that actual costs of services provided are fully recovered. Service and support charges to tenants and leaseholders will be reviewed in 2017/18, leading to the implementation of a new, transparent model from 2018/19. • The Corporate Welfare Reform Steering Group continues to meet on a regular basis to proactively monitor the impact of welfare reform and develop appropriate responses. A cross-departmental working group has been established to co-ordinate implementation of the relevant measures in the Housing and Planning Act, in addition to joint working with neighbouring Local Authorities. • The Allocation Scheme and Lettings Plan will be reviewed in 2017.	
Changes Proposed to Address the Deficit Resulting from Government Policy Changes	**Implications**
• Ongoing efficiencies of £204k were identified at the 15/16 year-end on top of prior year savings, with a further £106k savings options proposed for	• Details of the proposed savings options for 2017/18 are included in a separate Part 2 report to this Executive meeting.

2017/18. This is in addition to the Supporting People savings referred to above, that were already built into the plan.	
• Savings targets of £200k per annum (at today's prices) will be applied throughout the life of the plan.	• These targets will be challenging compared to those built into the original plan, which assumed savings targets of £200k pa for 16/17, 17/18 and 18/19 only. Options for achieving these targets will be worked up through the Council's budget setting process in future years and the focus will be on efficiencies and new surplus income options ahead of reducing the service offers.
• The growth plan that supported the 2014 HRA Business Plan has been reviewed and reduced.	• Savings amounting to £2.7m have been put forward in respect of the Housing Management share of the growth plan, details of which are provided in a separate Part 2 report to this Executive meeting.

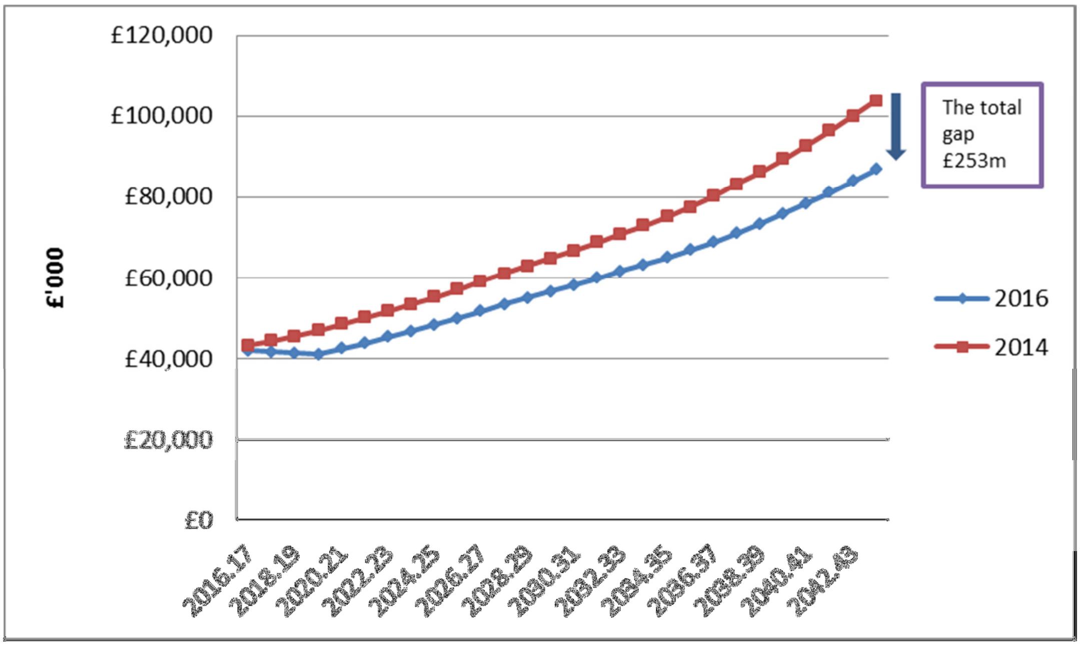
4.2 The 30 Year Financial Plan

4.2.1 The 30 year financial plan that underpins the 30 year HRA Business Plan has been comprehensively revised to take account of the above proposals and to thoroughly refresh all the financial assumptions.

4.2.2 **Rental Income**

A comparison of the 2014 and revised 2016 financial model for the period 2016/17 and 2043/44 (see figure 2 below) shows that the rent loss amounts to £253m, as a result of the combined impact of the 1% rent reduction and revised RTB assumptions (higher levels of RTB are now assumed from 2024/25 onwards compared to the original plan). This is partially offset by the introduction of affordable rent for an assumed 50% of new build properties. However, the amount of deficit that has had to be addressed is less than £253m due to a number of factors, including higher levels of debt provision receipts and use of 1-for-1 receipts; a greater use of HRA surpluses above the minimum; and adjustments in inflation and investment income assumptions.

Figure 2: 2016 Versus 2014 Rental Income (2016/17-2043/44)



4.2.3 **Capital Programme**

The charts below provide a comparison between the 2014 and 2016 capital spend profiles and a breakdown of the proportion of expenditure on different elements of the capital programme over the 30 year period.

Figure 3: Capital Spend Profile Comparison Between 2014 and 2016

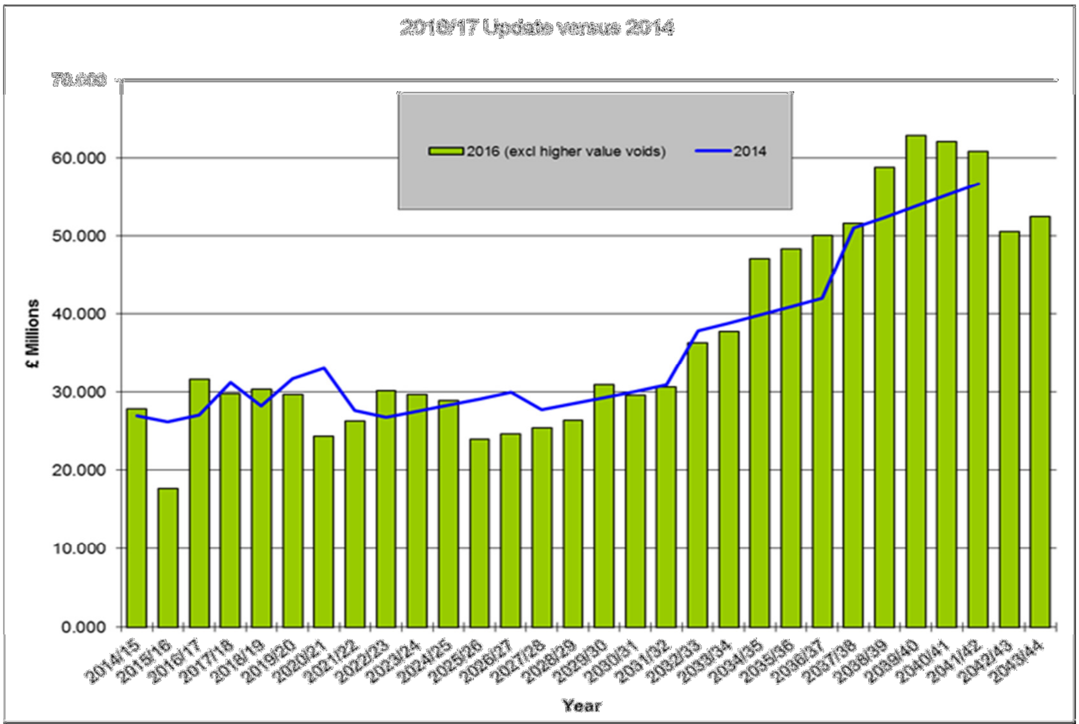
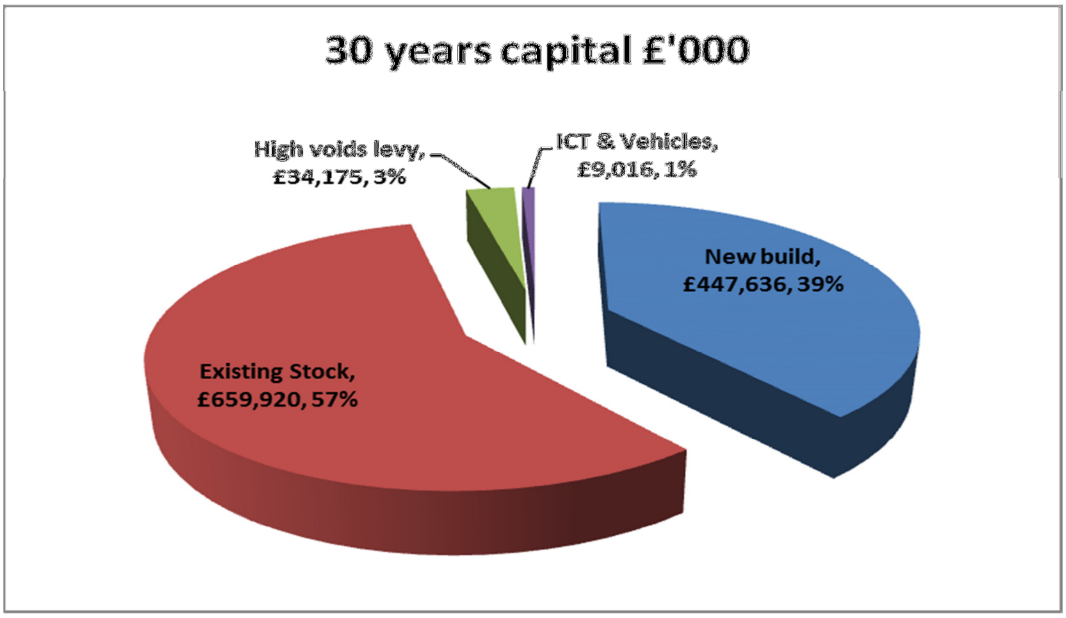


Figure 4: 30 Year Capital Spend Breakdown



4.2.4 **Debt and Borrowing**

The 2014 plan assumed that the total debt of £211.9m would be paid off by 2039/40 and that there would be no additional borrowing. In the revised plan, it is proposed that a new loan of £3.5m is taken out in 2017/18 if required to fund capital spend. It is further proposed that an assumption is made that further borrowing will be taken out in the middle years of the plan (2032/33 onwards) as required to address the capital fall shortfall that occurs at that point. This leaves headroom of £9m for the period up to 2021/22, to cover land transfers, unforeseen capital spend and any further changes in Government policy.

4.2.5 **Key Assumptions**

The key assumptions within the revised financial plan are summarised below and are set out in more detail in the Table of 30 Year HRA Business Plan Assumptions, which is attached at Appendix D.

- Rents decrease by 1% each year to 2019/20 then increase each year by CPI+1% (based on CPI of 2.35%)
- New build rents: 50% properties at social rent; 50% at affordable rent
- RPI assumed to be 2% in 16/17, 3% in 17/18, 3.34% in 18/19 then 3.35%
- Right-to-Buys (RTB) are assumed to be 50 p.a. for 30 years
- Savings options of £106k identified for 17/18 then £200k savings p.a. for the life of the plan
- Amount by which the HRA covers the loss of SP grant is reduced by £38k in 16/17, £145k in 17/18, £100k in 18/19 and £100k in 19/20

- Original Delivery Plan growth reduced by £5.9m over 30 years
- £1.5m growth built in to support the Housing Management Review
- New build capital programme of £448m over 30 years (at future years' prices i.e. including uplifts)
- Future major repairs capital programme of £660m over 30 years (at future years' prices)
- ICT and equipment capital programme of £9m over 30 years (at future years' prices)
- High value void levy of £34m over 30 years (at future years' prices)
- Debt repayment of £3.7m in 2017/18 and £3.5m in 2022/23 and £218m repayment from 25/26 onwards
- New loan of £3.5m in 17/18 if required to fund capital spend and further borrowing of £72m from 32/33 to 38/39
- HRA land sale in 18/19 with a value of £1m

4.2.6 **Revised 30 Year Plan**

Based on the above assumptions, the HRA financial plan is balanced over the 30 year period. In-year balance projections remain above the minimum throughout the life of the plan and there is sufficient finance available to fund the capital programme proposals set out in paragraphs 4.1.1 and 4.1.2 above, as is illustrated by the following charts.

Figure 5: Projected HRA Revenue Balances

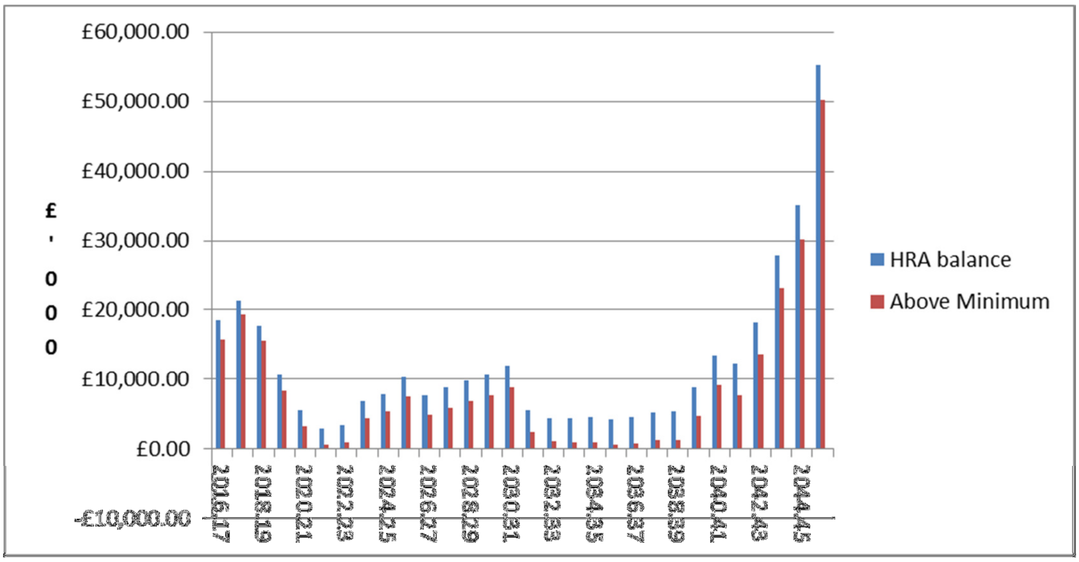
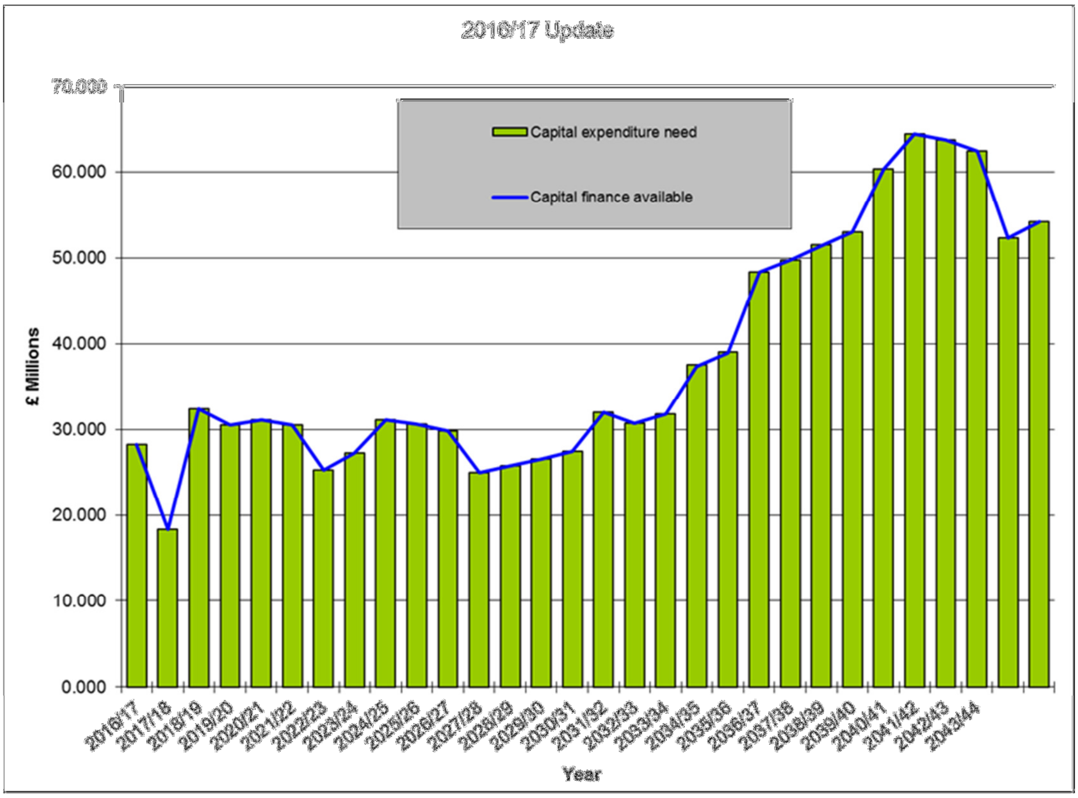


Figure 6 Capital Expenditure Profile and Funding



5. REASONS FOR THE RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

5.1 The HRA Business Plan proposals seek to remain as true as possible to the objectives set in the original 2014 plan, particularly with regards to the balance of capital spend between new housing development and maintenance of the Council's existing homes. They result in a balanced plan over the 30 year period, with sufficient resources, at this time, to retain new build targets; to carry out the core planned maintenance activities needed to provide decent homes to tenants and to maintain the value of the Council's assets; and to deliver the FTFC commitment to transform housing services. If approved, they provide the certainty needed to proceed with planned new build schemes and to enter into maintenance contracts, in order to deliver the Council's five year Capital Strategy.

5.2 The proposed savings, efficiencies and programme reductions will be challenging and are likely to impact on the service offer over time, but they are necessary in order to address the significant funding shortfall that has arisen from recent Government policy changes.

5.3 The plan has been developed with input from relevant senior managers across the Council and in consultation with Executive Members, the HMB and the Community Select Committee (CSC).

5.4 HMB acknowledged that the plan is built on assumptions and that situations are subject to change. They were assured that the plan would be reviewed regularly, to enable it to adjust in response to external factors. The Board was supportive of the continued investment in the Council's stock and praised the Council's new build ambitions. They stressed the need to consider staff turnover and pressures and to recognise staff as an important resource, essential to provide the service and to deliver the plan. They also questioned whether debt could be taken out earlier for new build investment and in the later years of the plan (this point is addressed at paragraph 5.5 below.)

5.5 It is not recommended that the current self-financing debt is rescheduled as, despite relatively low interest rates, this would not be a cost effective option due to the premiums involved. However, there is scope to take out £3.5m new borrowing in 2017/18 to replace an equivalent level of debt that is due to be repaid in that year. This would contribute to addressing a capital funding shortfall that would otherwise occur in that year and would support the delivery of new build plans. There is also scope to take out further borrowing (amounting to £72m in the revised plan) in the later years, as debt repayment accelerates and further funding shortfalls arise. It is therefore recommended that the revised plan assumes new borrowing on that basis.

5.6 As previously highlighted this leaves borrowing headroom of £9m until 2022/23, which is considered to be prudent, to enable land transfers from the General Fund to take place and to mitigate against continuing unknowns in respect of changes in Government policy.

5.7 The proposal to offer 50% of new build rents at affordable rent levels and 50% at social rent levels would, if approved, result in income of £36m to the HRA over 30 years which makes a significant contribution to the sustainability of the plan. The majority of annual lettings (i.e. of new build and re-let properties) would continue to be at a social rent level and it is estimated that after 30 years, at least 88% of the stock would remain available at the social rent level. The revised Rent and Service Charge policy, which is recommended within a separate report to this Executive meeting, allows for the Council to enter into an agreement to supply new housing at an affordable rent, with the proportion of lettings being aligned with the HRA Business Plan assumptions.

5.8 The Council has recently piloted a new build scheme let at affordable rents and is continuing to monitor the outcomes in terms of demand and affordability. It is therefore recommended that agreement to this proposal is given, subject to its implementation being kept under review. Should a subsequent policy decision be made not to offer 50% of new build properties at affordable rents, then alternative options for reducing expenditure would have to be found, to offset the projected £36m loss of rental income.

5.9 The HRA Business Plan 'Our Homes Our Future' is a technical document intended chiefly for internal use by officers. It contains a comprehensive overview of the context within which the housing service operates; sets out the Council's priorities and objectives in respect of Housing; confirms the short-to-medium high level plans for housing development, housing investment, and housing management & repairs service delivery; and details the financial assumptions that underpin the plan. This document will need to be revised to reflect the proposals and financial assumptions agreed through this report.

5.10 It should be noted that the HRA Business Plan is based on a series of assumptions that are subject to change. In particular, there is considerable volatility in the HRA's finances with continuing uncertainty around the impact of changes in Government policy and the economic environment. There is a need to retain flexibility in relation to the proposals in the plan and the intention is that it will be refreshed on an annual basis. The officer working group that was established following approval of the 2014 plan will continue to track delivery of the plan and to report into the Housing Management Board.

6. IMPLICATIONS

6.1 Financial Implications

6.1.1 The financial implications of the revised HRA Business Plan have been outlined within the body of the report. The HRA Business Plan is clearly based on a range of financial assumptions, including the allocation of resources between housing management and maintenance services, the new build programme, investment in the existing stock and other capital expenditure. However, it should be noted that actual revenue and capital budgets are approved annually at full Council in January/February. Should variations arise at the budget setting stage between approved budgets and the financial assumptions in the plan, the HRA Business Plan would have to be reviewed and refreshed accordingly.

6.1.2 The tables in paragraphs 4.1.1 to 4.1.3 above include proposals to reduce the original Delivery Plan Growth Plan and confirm revenue savings targets in relation to the loss of Supporting People grant and Housing Management and Maintenance services. Associated 2017/18 savings options and their implications are considered in detail in a separate Part 2 report to this Executive meeting.

6.2 Legal Implications

6.2.1 Whilst there is no statutory requirement for the Council to produce an HRA Business Plan, it is good practice to do so. The plan does not have any specific legal implications, although many aspects of housing service delivery are conducted in accordance with various legislative requirements. As explained in the body of the report, recent legislation including the Welfare Reform and Work Act and the Housing and Planning Act has had a particular impact on the service and on resources available. In addition, legislation relating to the management of HRA finances dictates the work of the Council's finance team.

6.3 Equalities and Diversity Implications

6.3.1 The HRA Business Plan relates to the delivery of a range of housing services, policies and programmes. These are subject to Equality Impact Assessments (EqIAs) as appropriate to determine any negative or disproportionate impact on particular equality groups and to mitigate this where possible.

6.3.2 These EqIAs will be reviewed (if appropriate) as and when changes in policy or service delivery arise and/or to ensure a policy or service continues to be fit for purpose. In particular, the bulk of the proposals contained in this report will be delivered through the FTFC programme. All FTFC-related projects and activities leading to policy or service changes will be assessed through the EqIA process.

6.3.3 The equalities implications of the proposal to offer a proportion of new build units at an affordable rent level are being considered through the EqIA that is being undertaken in connection with the draft revised Rent and Service Charge Policy. This revised policy is the subject of a separate report to this Executive meeting and the draft EqIA is appended to that report.

6.3.4 The Council also completes EqIAs on annual budgetary decisions which have potential to impact on the activity contained in the HRA Business Plan. The equalities implications of the 2017/18 savings options referred to in paragraphs 4.1.1-4.1.3 and 6.1.2 above have been assessed and are included in the related Part 2 report.

6.4 Risk Implications

6.4.1 The Senior Management Board (SMB) has identified the viability of the HRA Business Plan as a risk on the Council's Strategic Risk Register, which is kept under review by the Corporate Risk Group, SMB and the Audit Committee.

6.4.2 The majority of the HRA Business Plan service proposals will be delivered through the FTFC programme, for which a specific risk register has been developed, to ensure risk is effectively managed across the programme. This will be monitored by the FTFC Programme Board.

6.4.3 The officer group responsible for overseeing the implementation of the HRA Business Plan will continue to monitor risks associated with the financial assumptions that underpin the plan. Key risks include the following:

- **Policy Context:** There are significant risks to the plan associated with uncertainty surrounding the implementation of current legislation. The HVV levy could be higher than assumed in the plan; the Pay to Stay Scheme could encourage more tenants to purchase their Council homes, thus accelerating the rate of RTBs; and the introduction of Universal Credit and other welfare reforms is likely to impact on rent arrears levels. Furthermore, there is a risk that future Government decisions, particularly around Rent Policy and the option to re-open the HRA Debt Settlement could put further pressure on the HRA.

- **Capital Programme:** Risks associated with the capital programme, both in terms of investment in the stock and new build development, include failures in procurement, poor contract management and underestimated costs, all of which could result in actual costs being higher than anticipated within the plan. There is also a risk that leaseholder recharges for capital works are not fully recovered if statutory procedures are not followed or leaseholders cannot afford to pay.
- **Savings:** Significant levels of savings are built into the plan, in relation to both housing management and maintenance services and the known loss of Supporting People grant. There is a risk that funding shortfalls arise in the plan if these targets are not achieved. In addition, the remaining Supporting People grant the Council currently receives could cease at some point in the future, which would add to the pressure to make further savings.
- **Financial Environment:** The HRA Business Plan is very sensitive to changes in interest rates and inflation and differential rates compared to those assumed in the plan could have a significant impact on its viability. Furthermore, the level of RTB sales can fluctuate as a result of changes in house prices and interest rates.

BACKGROUND DOCUMENTS

BD1 - Stevenage Borough Council Executive Report: Housing Revenue Account Business Plan - Executive - 18 November 2014
BD2 – Stevenage Borough Council Executive Report: Corporate Plan – see separate item on the agenda of this Executive meeting, 22 November 2016
BD3 – Stevenage Borough Council Executive Report: Draft Revised Rent and Service Charge Setting Policy – see separate item on the agenda of this Executive meeting, 22 November 2016
BD4 – Welfare Reform and Work Act 2016 - Welfare Reform and Work Act 2016
BD5 – Housing and Planning Act 2016 - Housing and Planning Act 2016

APPENDICES

Appendix A: Key Achievements in 2015/16
Appendix B: HRA Development Projected Pipeline 2015-2021
Appendix C: HRA Major Works Capital Programme 2016-2046
Appendix D: 30 Year HRA Business Plan Assumptions