

## EXETER CITY COUNCIL

### SCRUTINY COMMITTEE – COMMUNITY 17 JANUARY 2012

#### EXECUTIVE 24 JANUARY 2012

### HOUSING REVENUE ACCOUNT BUSINESS PLAN 2012-2042

#### **1 PURPOSE OF THE REPORT**

- 1.1 To inform members of the outcome of the review of the Housing Revenue Account Business Plan.

#### **2 INTRODUCTION**

- 2.1 The Business Plan sets out the Council's plans for maintaining and improving its housing stock over the next 30 years. This is based on detailed survey information on the condition of the stock and on detailed financial projections, covering the period to 2042. The plan also sets out the services priorities in terms of service improvements and capital investment. The plan is available in the Members' Room, on the Council's website or available on request.
- 2.2 Through the Localism Act there are provisions to reform the Housing Revenue Account (HRA) subsidy system. The reform includes the dismantling of the current subsidy system in which there is an annual subsidy payment which will be exchanged for a one off payment and adjustment of housing debt. The total finance available has been checked against our housing capital programme, including the Decent Homes Programme, to ensure sufficient resources are available to meet these commitments.

#### **3 2012-2042 HRA BUSINESS PLAN**

- 3.1 The Business Plan describes what the Council aims to achieve, as a landlord, in the short, medium and long term. It has been drawn up with the involvement of tenants but also takes into account the wider community objectives of the Council.
- 3.2 The 2012–2042 Business Plan predicts that the HRA should remain in balance or surplus throughout the period of the plan. It also shows that it might be possible to increase the amount of stock and help meet housing need through a combination of new build projects and purchasing off the open market. It is anticipated that the working balance will be a minimum of £2.5 million for contingency purposes.
- 3.3 For Exeter, the Government has assessed that there will be a surplus of income from tenants' rents over the next 30 years after assuming the costs of running the housing service. In addition, the Council does not currently have any housing debt. Therefore the Government has assessed that the Council must make a payment of £57.345 million to the Government at the end of March 2012.
- 3.4 There are some underlying key assumptions made in the business plan. These are:
- That the Council will receive 50% of the Right to Buy (RTB) receipts. This may need to be adjusted based on the outcome of the Governments planned consultation on the changes to the RTB system.
  - That the Council will adopt a 50 year maturity loan payment plan

- That rent increases will be
  - 2012/13 – 6.84%
  - 2013/14 – 4.18%
  - 2014/15 – 4.17%
  - 2015/16 – 4.15%
- That the retail price index will be
  - 2012/13 – 5.6%
  - 2013/14 – 2.5%
  - 2014/15 – 2.5%
  - 2015/16 – 2.5%
- That the number of Council properties becoming void will remain at the current level of 2%.
- Service charge income will increase 3% per annum cumulative.
- Management and maintenance costs will increase 3% per annum cumulative.

3.5 Based on the current information from the stock condition survey database it is predicted that the Council housing stock will remain at the decent homes standard. Additional expenditure is also required to ensure communal areas in blocks of flats meet new Fire Safety Regulations.

3.6 The capital resources available annually over the full 30-year period of the business plan are contained within the Business plan.

#### **4. CONCLUSION**

4.1 The HRA Business Plan continues to demonstrate that the Housing Revenue Account will generate a surplus, year on year, as a result of the low cost of managing and maintaining our housing stock. This surplus will continue to be used as a contribution to the housing capital programme and obtaining additional Council housing at a social rent.

4.2 Whilst the plan covers a 30 year period, the financial position will never be exactly as predicted and, in the interest of sound financial management, the Council will re-run its projections annually.

4.3 In managing the housing stock it is important that improvements to services continue to be made and that any efficiency savings generated as a result are recycled into improved services and/or additional stock investment

#### **5 RECOMMENDED**

That Scrutiny Committee – Community agrees and Executive approves

- I. the conclusions in this report
- II. that the Council adopts a 50 year equal repayment of the debt.
- III. that a further review is undertaken of the HRA Business Plan annually and the findings reported to members

ACTING HEAD OF HOUSING SERVICES

S:PA/LP/Cttee/112SCC4  
4.1.12

COMMUNITY & ENVIRONMENT DIRECTORATE

**Local Government (Access to Information) Act 1985 (as amended)**  
**Background papers used in compiling this report:**