

HIGH PEAK BOROUGH COUNCIL

Report to the Corporate Select Committee

6th June 2016

TITLE:	Housing Revenue Account (HRA) Business Plan Development
EXECUTIVE COUNCILLOR:	Cllr Emily Thrane – Executive Councillor for Finance & Corporate Services
CONTACT OFFICER:	Andrew Stokes – Executive Director (Transformation) & Chief Finance Officer
WARDS INVOLVED:	Non-Specific

Appendices Attached:

Appendix A - CIPFA / CIH Voluntary Code for Self-financed HRA - Summary of the Requirements

Appendix B - Voluntary Code of Practice for Self Financed HRA - Initial Assessment of the Areas Requiring Improvement

Appendix C - Housing Review Scoping Document

1. Reason for the Report

1.1 The purpose of this report is to establish priorities for the development of the Council's Housing Revenue Account (HRA) Business Plan and to set an outline work programme for the HRA Business Plan Review Sub-Committee to follow.

2. Recommendations

2.1 That the Corporate Select Committee agrees:

- The review of the HRA Business Plan as detailed at Appendix C
- The work programme for the HRA Business Plan Development Sub-committee as detailed in section 11.2

3. Executive Summary

- 3.1 In January 2016, the Executive agreed to adopt the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Housing (CIH) Voluntary Code for Self-Financed HRA with a commitment to perform a full self-assessment against the code.
- 3.2 The voluntary code of practice includes six principles. A summary of the detailed requirements within the principles of the code is attached at Appendix A. The self-assessment against the code will provide the agenda for the development of the HRA business plan which is to be undertaken through a sub-committee established by this Committee. An initial assessment has been made against the code and the areas for improvement that have been identified are detailed at Appendix B.
- 3.3 A number of other unresolved issues that are not directly related to the voluntary code have been added to the review of the business plan. These are as follows:
- Review of asset management policy compliance
 - Review of housing tenancy functions and opportunities for further integration with other services
 - Review of the provision of sheltered housing including the funding and support
 - Assessment of the operating model options in respect of the Carelink service and exploration of opportunities and feasibility for growth
 - Review of end to end service delivery process for customer interactions
 - Review of the role of customer service advisors linked to a Channel Shift Programme
- 3.4 The document attached at Appendix C summarises the full scope of the review. The scoping document includes a prioritisation for each of the review sub-categories. The need to address the following issues has dictated a higher priority:
- Financial pressures on the HRA
 - The large financing transactions which provide a greater scope for reductions in expenditure i.e. capital programme; stock condition etc.
 - Staffing structures and roles
 - Channel shift and process change
- 3.5 It is proposed that the sub-committee will meet every two months commencing in June and an outline programme has been developed. At each meeting there will be an update on the overall review in order that councillors can be assured about progress. At the February 2017 meeting, the latest iteration of the HRA Business Plan will be considered by the sub-committee prior to approval by Council via the formal route.

4. How this Report Links to Corporate Priorities

- 4.1 One of the Council's objectives is to ensure that there is a fit for purpose housing stock that meets the need of tenants. It is essential that the Council develops its HRA Business Plan effectively in order to ensure that this objective is achieved.

5. Options and Analysis

- 5.1 The Council is required to develop a 30-year business plan. Following consideration of a report by the Corporate Select Committee in January, the Executive approved the adoption of the voluntary code of practice for self-financed HRAs. It was also agreed that the revised HRA Business Plan that is to be developed following implementation of the code would be developed by a sub-committee of the Corporate Select Committee. This report sets out the proposed approach to the review by prioritisation of the various functions that need to be reviewed.

6. Implications

6.1 Community Safety - (Crime and Disorder Act 1998)

None

6.2 Workforce

None

6.3 Equality and Diversity/Equality Impact Assessment

This report has been prepared in accordance with the Council's Equality and Diversity policies.

6.4 Financial Considerations

None at this stage – however priority has been given to the areas of activity that will potentially yield reductions in financial provisions in the HRA in order to ensure that the longer term financial position can be brought into balance.

6.5 Legal

None

6.6 Sustainability

None

6.7 External Consultation

It will be essential to consult tenants about changes to the HRA Business Plan

6.8 Risk Assessment

A full risk analysis will be undertaken as part of the business plan

ANDREW P STOKES
Executive Director (Transformation) & Chief Finance Officer

Background Papers

Voluntary Code of Practice for self
Financed HRA (CIPFA / CIH)
<http://www.cipfa.org/policy-and-guidance/publications/v/voluntary-code-for-a-self-financed-housing-revenue-account>

Location

Buxton Town Hall

Contact details

Andrew Stokes
Executive Director
(Transformation) & Chief
Finance Officer

7 Background and Introduction

- 7.1 Last year government announced far reaching legislative and financial changes for the social housing sector, which will have significant implications for the Council and in particular a negative financial impact on the HRA. In January 2016, the Executive considered a report that identified the financial consequences of the new legislation and as a consequence agreed to complete a fundamental review of the HRA business plan.
- 7.2 The Executive also agreed to adopt the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Housing (CIH) Voluntary Code for Self-Financed HRAs with a commitment to perform a full self-assessment against the code, the outcome of which will provide the agenda for the development of the HRA business plan.
- 7.3 The development of the HRA business plan is to be undertaken through a sub-committee established by the Corporate Select Committee and will take place over the next twelve months. The purpose of this report is to establish priorities and to set an outline work programme for the sub-committee to follow.

8 Voluntary Code for Self-Financed HRA

- 8.1 The voluntary code of practice includes six principles. Along with these high level principles, the code comprises a series of supporting provisions which together describe what the sector considers as essential elements for the continued sustainability of a self-financed HRA. The six principles are as follows:
- **Co-regulation** - The housing authority complies with the principles of co-regulation as set out in *The Regulatory Framework for Social Housing in England from April 2012*.
 - **Financial viability** - The housing authority has put in place arrangements to monitor the viability of the housing business and takes appropriate actions to maintain viability.
 - **Communications and governance** - The housing authority keeps under review the communications and governance arrangements with regards to the new operating environment and adopts governance arrangements appropriate to supporting viability and accountability of the housing business.
 - **Risk management** - The housing authority has in place an effective system for the on-going management, monitoring and reporting of risks to the HRA.
 - **Asset management** - The housing authority has in place arrangements to maintain its assets to maximise their value into the future. The authority complies with the principles of good asset management as they apply to HRA assets.
 - **Financial and treasury management** - The housing authority complies with proper accounting practices including CIPFA's *Code of Practice on Local*

Authority Accounting in the United Kingdom and CIPFA's Treasury Management in the Public Services Code of Practice.

- 8.2 A summary of the detailed requirements within the principles of the code is attached at Appendix A.
- 8.3 The self-assessment against the code will provide the agenda for the development of the HRA business plan. This will include gathering evidence to support the assessment and subjecting the assessment to external challenge. An initial assessment has been made against the code and areas for improvement identified. This assessment is attached at Appendix B.

9 Additional Inputs into the Development of the HRA Business Plan

- 9.1 In conjunction with its strategic alliance partner, Staffordshire Moorlands District Council, the Council recently completed an alliance-wide programme of service reviews. The purpose of these reviews was to ensure that the services provided by the Councils could be operated with a reduced level of financial resources. The majority of the reviews were completed by 31st March 2015 and the outcomes from them, and progress made with their implementation, was reported to the Corporate Select Committee in September 2015.
- 9.3 There were, however, a small number of unresolved issues that were critical to the full realisation of the service review outcomes. Due to the complexity of these issues it was not possible to consider them fully during the service review process. It was therefore agreed that further work that need to be completed before the newly proposed staffing structures for every service could be implemented fully.
- 9.4 A number of the unresolved issues relate to the Council's housing functions, mainly due to the transfer of the functions back to the Council from the former arms length management organisation (ALMO) High Peak Community Housing. These are as follows:
- Review of asset management policy compliance
 - Review of housing tenancy functions at High Peak and opportunities for further integration with other services
 - Review of the provision of sheltered housing at High Peak including the funding and support
 - Assessment of the operating model options in respect of the Carelink service and exploration of opportunities and feasibility for growth
 - Review of end to end service delivery process for customer interactions
 - Review of the role of customer service advisors linked to a Channel Shift Programme

- 9.5 It is proposed to integrate these outstanding reviews (where they relate to the housing functions) into the review of the HRA Business Plan as informed by the self assessment against the voluntary code (as detailed in section 8 of the report).

10 Scope of the Review of the HRA Business Plan

- 10.1 Attached at Appendix C is a document that summarises the scope of the review. The plan includes the six areas of the code of practice:

- Co-Regulation (extended to include the new regulatory requirement of the Housing & Planning Act 2016)
- Risk Management
- Financial Viability
- Financial & Treasury Management
- Asset Management
- Communications and Governance

- 10.2 The scope has been extended to include the following categories to reflect the broader remit including the issues outstanding service review issues:

- Strategic Management / Housing Strategy
- Housing Advice
- Responsive Repairs
- Tenancy Management
- Tenancy Support (including sheltered accommodation and carelink)
- Leaseholders & RTBs
- Income
- Systems Review

- 10.3 Given the wide scope of the review, it is important to provide some focus by prioritisation of each of the review areas. The scoping document includes a prioritisation for each of the review sub-categories. The range of priority is as follows:

- Priority 1 – review to be commenced within 3 months
- Priority 2 – review to be commenced within 6 months
- Priority 3 – review to be commenced within 12 months

- 10.4 In determining the relative priorities the following issues have dictated a higher priority:

- Financial Pressure - the significance of the financial position means that there needs to be focus on areas where ultimately reductions in financial provisions

in the HRA can be made in order to ensure that the longer term financial position can be brought into balance

- Financing Transactions – transactions such as the repayment of debt and that have a large impact on the financial position
- Staffing Structures and Roles – there is a requirement to finalise the staffing structure
- Channel Shift / Process Change – this is essential for improving the services to the customer and maximising efficiency

11 Work Programme for the HRA Business Plan Sub-Committee

- 11.1 It has been agreed that a series of sub-committee meetings are to be set up to take place over the next twelve months with the objectives of making recommendations to the Executive in order that the HRA Business Plan can continue to be developed on line with the outcomes of the review detailed above.
- 11.2 The sub-committee will need to focus its efforts on the policy issues that will need to be considered during the review.
- 11.3 It is proposed that the sub-committee will meet every two months and the proposed programme is detailed below:

Meeting Date	Agenda Items
June 2016	Stock Condition
	Financing Transactions
	Housing & Planning Bill Implications
August 2016	Capital Programme
	Rent Policy
	Carelink / Other Support
October 2016	Lettings
	Voids
	Sheltered Accommodation
December 2016	Tenancy & Neighbourhood Management
	Repairs
	Other Policy Changes
February 2017	Revised HRA Business Plan
	Tenant Engagement
April 2017	Housing Need & Supply
	Future Development

- 11.3 At each meeting there will be an update on the progress with the overall review in order that councillors can be assured about progress.

11.4 At the February 2017 meeting the latest iteration of the HRA Business Plan will be considered by the sub-committee prior to agreement by Council via the formal route.

CIPFA / CIH Voluntary Code for Self-financed HRA

Summary of the Requirements

CO-REGULATION

- Councillors and boards who govern providers are responsible and accountable for delivering their organisation's social housing objectives.
- Providers must meet the regulatory standards.
- Transparency and accountability is essential to co-regulation.
- Tenants should have opportunities to shape service delivery and to hold the responsible boards and councillors to account.
- Providers should demonstrate that they understand the particular needs of their tenants.
- Value for money goes to the heart of how providers ensure current and future delivery of their objectives.
- Financial and other performance information is presented in a format that is inclusive to all.

FINANCIAL VIABILITY

- The housing authority has put in place a business planning process underpinned by appropriate financial modelling that allows the cash flows of the business to be forecast. The process incorporates an appropriate set of assumptions relating to forecast:
 - rent levels
 - general income and expenditure levels
 - interest rates on investment and borrowing, and associated costs
 - levels of void properties and bad debts.
- The housing authority tests the viability of proposed major capital expenditure projects against the resources generated in the business plan. This ensures that additional activity (for example the development of new housing) is fully integrated into the business planning process and does not introduce liabilities that are unable to be fully funded within an appropriate timescale.
- The housing authority ensures that sufficient resources are allocated for the long-term maintenance of the stock and other assets, adopting an appropriate mechanism to transfer resources from revenue to a reserve ensuring that the peaks and troughs of lifecycle investment needs are able to be met.
- Assumptions are kept under regular review and tested against actual financial performance. Alterations to underlying assumptions are made in direct relation to the impact on the overall plan.
- The housing authority maintains accurate data about the cost of its services, and regularly reviews these in relation to its procurement and commissioning

strategies. The business plan allocates resources to ensure the continued viability of high quality management services.

COMMUNICATIONS AND GOVERNANCE

- The housing authority undertakes to achieve openness in communication and sharing of information, and expresses all internal and governance communications in clear language.
- The housing authority engages in appropriate levels of consultation with tenants, members, officers and other stakeholders in a way that ensures it delivers efficient management and control of its business plan.
- The housing authority reviews on a regular basis the quality, accuracy and utility of all information pertaining to the management of its housing business including financial and performance based sources.
- The housing authority has an appropriate mechanism to assess its on-going compliance with the key principles and accounts to residents on this compliance. One option could be to undertake to publish a commentary on its compliance as part of its Annual Governance Statement or through other appropriate channels.
- The housing authority has adopted suitable governance arrangements consistent with the effective operation of a housing business, paying attention to the long-term nature of the business: incorporating for example the need to plan maintenance and investment over the long term and the need to manage large levels of long-term housing debt.
- The housing authority ensures that resources are appropriately allocated between investment, maintenance and management priorities in line with business plan objectives and that the balance of priorities is agreed with tenants, members and other stakeholders as appropriate.

RISK MANAGEMENT

- The housing authority carries out appropriate sensitivity analysis across the business plan to identify potential high, medium and low level risks to the financial viability of the HRA. In particular, attention is given to evaluating risks arising from: changes in government policy; treasury management risks; inflation; income recovery rates; void levels; changes to rent policy; changes in the composition of the stock; investment return; right to buy; debt levels and grants.
- The housing authority has a risk management system in place which, as a minimum, includes the following processes:
 - identification of risk
 - quantification of risk
 - management of risk
 - reassessment of risk
 - communication of risk to appropriate decision-makers.
- The housing authority identifies appropriate mitigating actions where higher level risks to the overall sustainability of the business plan are identified, to ensure the long term viability of the HRA. These may include:

- an active treasury management strategy and procedures to manage treasury management risks in accordance with CIPFA's *Treasury Management in the Public Services Code of Practice*
- a suitable level of balance of reserves maintained by the HRA as a contingency against risks on inflation and income, bad debt increases as well as investment risk
- performance management frameworks effectively enforced to manage the risks of poor performance in voids, income collection and investment scheme delivery.

ASSET MANAGEMENT

- The housing authority takes a strategic approach to asset management ensuring that the long-term strategic vision for the authority is underpinned by a thorough understanding of current and future needs.
- The housing authority's strategic asset management and business planning processes are fully integrated. The business plan supports the maintenance and development of the asset base which in turn provides value to the business plan.
- The housing authority has agreed asset management standards with tenants, members and other stakeholders having regard to the financial resources generated within the business plan.
- The housing authority maintains accurate information relating to the condition, maintenance and investment needs of its housing stock and other HRA assets.
- Asset management information forms the basis for the asset investment programme of the housing authority driven by the business plan and set out over an appropriate medium-term financial period.

FINANCIAL AND TREASURY MANAGEMENT

- Housing is a long-term investment and HRA borrowing policy needs long term stability to ensure long-term planning is undertaken on a reasonable and consistent basis. The housing authority has set out a policy stating how a reasonable charge for borrowing costs of the HRA will be calculated, set for the long-term such that it enables long-term planning of HRA resources and borrowing.
- The depreciation charge to the HRA is calculated on a componentised basis in line with proper accounting practices. The housing authority is moving to a full depreciation accounting charge in line with the transitional arrangements set out by the Department for Communities and Local Government.

APPENDIX B

Voluntary Code of Practice for Self Financed HRA
Initial Assessment of the Areas Requiring Improvement

Principle / Requirement	Potential Areas for Improvement
Co-Regulation	
Governance arrangements and accountability	Review of delegations
Regulatory standards	Review of housing tenancy / landlord functions
Transparency	
Tenants' involvement / scrutiny	Review of arrangements
Tenants' needs	Formal assessment of requirements
Value for money	Benchmarking and comparison with peers
Simple presentation of information	
Financial Viability	
Financial modelling	Review of current assumptions
Capital programme business case	Integration
Lifecycle costs of maintaining the stock	Link with stock condition assessment
Regular review of assumptions	Programme of review
Review of costs – commissioning and procurement	Increase on-contract spend to drive value-for-money
Communications and Governance	
Openness in communication	
Consultation with tenants	Formal programme
Quality and accuracy of information	
Review of compliance	
Risk Management	
Sensitivity analysis	
Risk identification, quantification and management	
Mitigation	
HRA Balances	Review of adequacy of balances
Performance Framework	Review of framework in the context of the financial resources
Asset Management	
Asset Management approach	Formalisation of Asset Management Plan
Integration with business plan	Formalisation of Asset Management Plan
Asset management standards	Formalisation of Asset Management Plan
Stock condition	Requirement to determine methodology for ongoing assessment
Information based programming	Formalisation of Asset Management Plan
Financial & Treasury Management	
Borrowing policy	Review required
Depreciation policy	Review required

Housing Review Scope & Prioritisation

Category	Sub category Function/Process	Priority (1,2,3)	Services	Systems/ Technology	Stream Lead
Co-Regulation / Regulatory requirements	Regulatory Standards	3	Housing (Lead) Communities		Helen Core
	Governance Arrangements	3			
	Housing and Planning Act Implications	3			
Strategic Management / Housing Strategy	Future Plans	3	Housing (Lead) Regeneration		Michelle Costello
	Housing Need & Supply	3			
	Housing Policy	3			
Risk Management	Operational & Strategic Risk Register	3	OD & Transformation		Mary Walker
	Risk Review	3			
Financial Viability	Rent Levels	2	Finance & Procurement (Lead) Housing	Finance Systems	Claire Hazeldene
	Revenue Income & Expenditure	2			
	Interest Rates	2			
	Bad Debts	2			
	Capital Expenditure	1			
	Service Costs	2			
	Service Level Agreements	3			
Financial & Treasury Management	CIPFA Code of Practice	3	Finance		Claire Hazeldene
	Long term investment	1			
	HRA Borrowing Policy	1			
	Depreciation Charge to HRA	1			
Allocations	Lettings	2	Housing (Lead) Customer Services	Home Options OHMS	Helen Core
	Voids Process	2			
	Void Inspections	2			
	Tenancy Offers	2			
	Sign Ups	2			
	Creating Tenancies	2			
	Ceasing Tenancies	2			
	Nominations	2			

Category	Sub category Function/Process	Priority (1,2,3)	Services	Systems / Technology	Stream Lead
Housing Advice	Homelessness	2	Housing (Lead) Customer Services	Home Options OHMS Microsoft Access	Helen Core
	Home Options Verifications	2			
	Maintaining waiting list	2			
Asset Management	Planned Maintenance	1	Assets (Lead) Finance & Procurement Housing	OHMS Liberty System Keystone	Paul Hare
	Cyclical Maintenance	1			
	Statutory Compliance Including Gas	2			
	Disabled Adaptations	2			
	Decent Homes Standard	2			
	Stock Condition	1			
Responsive Repairs	Raising Jobs	2	Operational Services (Lead) Assets Customer Services	OHMS Mobizmo Cloud Dialogs Opti time Locator plus	Nicola Kemp
	Review repair obligations	2			
	Day To Day Repairs	2			
	Reporting Repairs	2			
	Scheduling Repairs	2			
	Inspections i.e Damp	2			
	Channel Shift/Frontline function	2			
	IT Systems link	2			
Communications and Governance	Consultation with Tenants, Members, Officers, Stakeholders	3	Communities (Lead) OD & Transformation Housing	Website	Mark Forrester
	Performance Indicators	3			
	Benchmarking	3			
	Communication	3			
	Coregulation & Scrutiny	3			
	Tenant Publications	3			
	Website Information	2			

Category	Sub category Function/Process	Priority (1,2,3)	Services	Systems/ Technology	Stream Lead
Tenancy Management	Neighbourhood Teams & Functions	2	Housing (Lead) Customer Services Communities	OHMS E-Cins	Helen Core
	ASB	2			
	Variations & Successions of Tenancies	2			
	Neighbourhood Offices	2			
	Tenancy Support	2			
	Neighbour Nuisance	2			
	New Tenancy Visits	2			
	Tenancy Health Checks	2			
	Access arrangements i/e gas	2			
	Court attendance/papers	2			
	Eviction	2			
	Mutual Exchange	2			
	Tenancy Conversions	2			
Garages and intro tenancies	2				
Tenancy Support	Carelink	2	Housing	Mobizmo Cloud Dialogs OHMS	Sandra Webster
	Older Persons Services	2			
	Cat 2s (sheltered schemes)	2			
	Tenancy Support	2			
Leaseholders & RTBs	Service Charges	3	Asset (Lead) Legal Services	OHMS	Paul Hare
	Legal/Lease enquiries	3			
Income	Recharges	3	Finance & Procurement (Lead) Housing		Claire Hazeldene
	Management fees	3			
	Additional income opportunities	3			
Systems Review	Interfaces	3	OD & Transformation	OHMS Mobizmo Cloud Dialogs Opti time Locator plus	Tanya Cooper
	Software	3			
	Hardware	3			