

**ANGUS COUNCIL**

**NEIGHBOURHOOD SERVICES COMMITTEE – 20 AUGUST 2009**

**EARLY UPDATE – HRA BUSINESS PLAN**

**REPORT BY THE DIRECTOR OF NEIGHBOURHOOD SERVICES**

<p><b>ABSTRACT:</b> This report informs Committee of the headline findings of the independent consultants report into the future HRA (Housing Revenue Account) Business Model which is being developed for Angus Council.</p>
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**1. RECOMMENDATION**

1.1 It is recommended that the committee:-

- i Note the initial headline findings.
- i. Agree that further reports are developed as the detail emerges;
- ii. Agree that a draft brief for an asset management strategy is developed to include proposals for an updated stock condition survey;
- iii. Agree that a set of financial principles are developed to promote and protect the financial integrity of the HRA for the long-term; and
- iv. Agree that a presentation on the final findings of the report is organised for Committee and delivered by the consultants.

**2. BACKGROUND**

2.1 Angus Council commissioned the independent consultants (Arneil Johnston) to develop a 30 year HRA Business Model upon which the Council could consider future investment actions and decisions. The model has been commissioned at a time of considerable financial uncertainty, and reflects the sudden change in the world economy, the change to the level of council house sales (and therefore capital receipts available to fund investment) and the possible views of rent payers to the continuing rolling forward of the current rent increase calculation model.

2.2 The consultants are current finalising the detailed report, but have supplied some initial headline findings and these are highlighted in this report. Members are asked to note that in terms of the expectations of the Scottish Housing Regulator, the HRA Business Model represents a critical element of their considerations and it is also now increasingly clear that a full and comprehensive asset management strategy is also a critical element of the overall assessment of the quality of management of the HRA as a business. The final element of the strategic package of assessments is the Housing Need and Demand Assessment, and Members are asked to note that this work is currently ongoing and full details will be brought to committee before the end of the year.

2.3 Members are asked to note that if the recommendations in this report are approved, Angus Council will be well on its way to having the full suite of strategic assessments required to enable the Council to progress on the sound footing it has had to date..

**3. HEADLINE FINDINGS**

3.1 There are so far no unexpected outcomes arising from the work to develop the business model and the consultants initial headline findings are summarised below:

- Appropriate levels of SHQS Investment will need to be maintained over the next 30 years.
- Given the significant levels of current investment, a reduction in the capital programme from 2013/14 to 2023/24 can be considered as the stock will substantially be compliant with current SHQS standards.
- The current global and national financial instability is likely to suppress Right to Buy Sales.
- Notwithstanding the expectation of suppressed RTB Sales, particularly over the immediate years period, over the 30 year period of the business model a reasonable proportion of capital funding is still expected to be derived from sale of assets.
- The stock condition survey information used to construct the model is reaching the end of its reliable life and requires to be updated and an asset management strategy developed thereafter.
- Over the 30 years of the business model, funding assumed from CFCR (Capital Funding From Current Revenue) and borrowing will need to be carefully considered and balanced to ensure the affordability and sustainability of future investment plans in light of projected levels of rental income. A strict monitoring regime will require to be in place.
- The normal rental increase model (RPI (Retail Price Index) plus 1%) is no longer as reliable as an industry standard, given its current volatility compared against the fixed investment needed to meet statutory requirements.

3.2 The headline findings clearly highlight that current financial stewardship is sound, and has set and continues to follow an affordable and deliverable path with regard to meeting the SHQS whilst maintaining a low debt, and low rental levels. The detailed report of the consultants will set out the overall levels of investment required, and will set out, in more detail, the investment profile required over a 30 year period on a component replacement basis. Furthermore, the updating of the stock condition survey and development of a detailed Asset Management Strategy will allow a global and local picture to be developed in considerable detail with a high degree of confidence. This will allow Elected Members to take long-term investment decisions, including new council house building, based on a sound and reliable information basis.

3.3 Members are further asked to consider, particularly at this time of financial turmoil, that the Director of Neighbourhood Services, in conjunction with the Director of Corporate Services, brings back a further report setting out a set of financial principles which can be used to guide investment decisions and protect the long-term future of the Council's housing assets and the housing revenue account, so that future generations of Angus residents can enjoy the high standards of housing currently made available by Angus Council. Members will be aware that in the past, Scottish housing has fallen under the spell of mass building programmes with little thought to long-term sustainability, or the ability to handle sudden changes in the external economy. That Angus Council is able to deliver consistently high standards with low rents and low debts is because of sound financial stewardship and there is little doubt that this bedrock of dependability is one Members will be mindful of when considering investment plans for the next 30 years.

3.4 Members are asked to agree that the Director of Neighbourhood Services organises a full briefing on the final findings of the Consultant's report for all elected members where the detail of the Angus wide investment model will be clearly set out. Finally, Members are asked to note that provided that it can be contained within existing resources, it is intended that appropriate officers from the Council's Housing and Finance Divisions will be fully trained on the updating, use and manipulation of the Business Model, to allow annual updates to be developed without ongoing reference to the consultants. This, alongside the proposal for a set of guiding financial principles, will ensure the HRA is managed for the long-term with great maturity, prudence and affordability leading to a sustainable investment strategy.

#### **4. FINANCIAL IMPLICATIONS**

4.1 There are no financial implications for the Council arising directly from this report.

#### **5. HUMAN RIGHTS IMPLICATIONS**

5.1 There are no Human Rights implications arising from this report.

## **6. EQUALITIES IMPLICATIONS**

6.1 The issues dealt with in this report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required

## **7. SINGLE OUTCOME AGREEMENT**

7.1 This report contributes to the following local outcomes contained within the single outcome agreement for Angus:

- Good quality housing is available to all in communities throughout Angus
- Good quality housing is available throughout Angus

## **8. CONSULTATION**

8.1 The Chief Executive, the Director of Corporate Services, the Director of Infrastructure Services, the Head of Finance and the Head of Law & Administration have been consulted on the content of this report.

## **9. CONCLUSION**

9.1 Overall, the initial headline findings clearly demonstrate that the SHQS will be delivered by 2015, and that beyond that, the Council's Housing Revenue Account is in a healthy and manageable position, provided sound financial principles continued to be applied. The report recommends some additional work be carried out in order to disaggregate the initial findings to lower levels, and as these accord with the long-term requirements and vision of the Council and the Scottish Housing Regulator, it is recommended that Members agree to progress this area of work and also to progress the recommendations in the report.

**RON ASHTON  
DIRECTOR OF NEIGHBOURHOOD SERVICES**

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above Report.

**Hsg/NS/RA/AMcK**

# EQUALITY SCREENING

## Policy Control Document

**Name of Policy, Procedure or Report** Early Update – HRA Business Plan

**Lead Department/Service** Neighbourhood Services – Housing Division

What is the aim of the policy, procedure or report?

To update Members on the headline and initial findings of a piece of piece of financial consultancy

Is this a new or a review of an existing policy, procedure or report?

No, but is an updated look, on an academic basis, of current investment profiles

### Screening Process

Has the policy, procedure or report already been assessed for its impact on people from different racial backgrounds, people of different genders and people with disabilities. No

Yes  No

**If Yes**, unless there have been significant changes, no further action is required. Please sign and date immediately below and retain for reference.

**If No**, does the policy, procedure or report involve or have consequences for the people the council serves or employs? No

Yes  No

**If yes, proceed to Step 1 of the Full Impact Assessment on page 2.**

If no, please state why not

The report provides background information and awareness only

**If no, The policy, procedure or report is not relevant and no further action is required.**

Please sign and date immediately and keep for reference

**Name:** Alan McKeown

**Signature:** \_\_\_\_\_

**Date:** 10/07/09