

Corporate Scrutiny

Wed 11th July 2018

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Why have a plan?

- ▶ Landlord Regulatory Requirement
- ▶ Balanced MTFS within context 30 year funded plan – difference capital and revenue
- ▶ Contributes to Corporate Vision and purpose
- ▶ Clear aims and objectives setting out ambitions within the plan vis service offer
- ▶ Opportunity to headline achievements
- ▶ Compliance with national consumer standards
- ▶ LA position with economic standards – governance; viability and value for money

Challenging?

- ▶ Since 2012 – £180m reduction in plan largely due to combined impact of 1% rent reduction & additional RTB sales
- ▶ Borrowing headroom of £5.6m – opportunities going forward noting MHCLG prospectus July 2018
<https://www.gov.uk/government/publications/additional-housing-revenue-account-borrowing-programme-prospectus>
- ▶ Impact of Government policy will need to be continually assessed against the model – future rent policy; sale of high cost voids; future funding sheltered; commercial opportunities
- ▶ Balancing compliance with continuing to meet Decent Homes Standard (less 1% non decent) with wider ambitions for regeneration; new and affordable housing; improved service offer(s) for wider neighbourhood renewal



Headlines

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Baseline - summary

- HRA is able to maintain a minimum balance of around £500k
- Capital programme fully funded, but requires debt in later years
- Headroom of £5.6m
- Initial need to borrow to finance the capital programme (could be avoided by use of RCCO)
- Increasing cost base forces borrowing from 2046/47 (year 29)
- Potential for repaying some debt mid-forecast
- Full use made of RTB attributable debt & LA share receipts
- Assumes straight line stock investment – will need to be updated
- Assumes fixed cost base, which increases the cost per unit over time

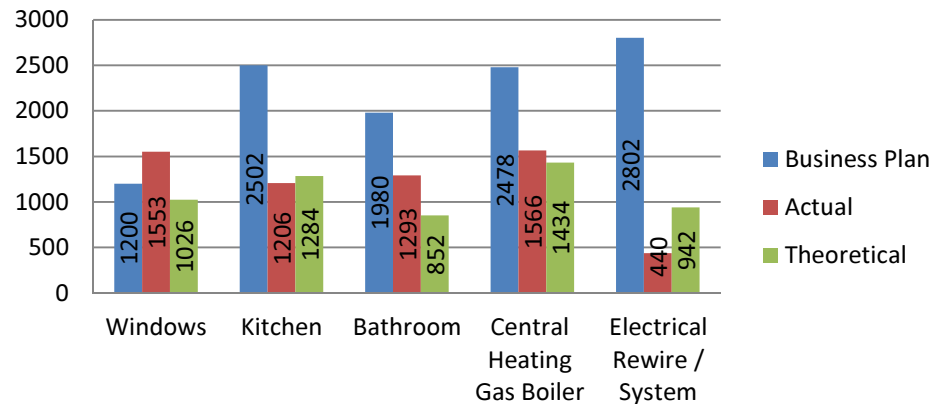
Key messages

- Baseline forecast suggests a sustainable business plan
- Debt cap is not an immediate constraint, but forecast excludes new development/ regen (other than schemes included in the MTFS)
- The underlying cost base is a growing challenge, which should be addressed in order to increase capacity
- Potential for increasing income to improve capacity
- The new SCS will produce a different stock investment profile, which will need to be remodelled in an updated business plan forecast
- HVA levy not considered, but could impact severely

Understanding Investment planning – Proposed £298m over 30 years

- ▶ Decent Homes Compliance – link to investment spreadsheet to look at headlines.....
- ▶ Life cycles of components?

Business Plan v Actual Component Replacement 2012-2018



Choices – a never ending story

Option	Effect on Business Plan over 30 years
Establishing a Locally determined priority budget for Neighbourhood renewal and local priorities @£250k per annum	+£7.5m
Change window replacement multiplier to 1 (or lifecycle to 30 years) as programme has been completed recently	-£1.738m
Change external door lifecycle to 30 years and multiplier to 1 to align with windows	-£1.507m
Provide for sprinkler renewal in next business plan (lifecycle > 30 years)	-£1.3m
Replace rewire programme with Upgrade programme (50% saving on unit rates)	-£5.43m
Revise Periodic Electrical Testing Frequency after first 5 year period and extend interval based on risk assessment	-£4.595m
Align internal and external painting programme with interval of 10 years	-£64.2k
Halve Garage Improvements budget based on rationalisation and disposal of sites	-£3.25m
Halve Environmental Improvements and Communal Area Improvements budget	-£4.25m
Halve Thermal Comfort Budget based on works to low SAP properties only and advice on condensation etc.	-£1.05m
Charge Leaseholders fully for Sprinklers	-£100k
Omit Cavity Wall and Loft Insulation renewal	-£0.537m

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- ▶ Assumes static position
- ▶ Can generate income, e.g. service charges
- ▶ Change funding options vis 'enabling' & development of a LA prospectus?
- ▶ Review management costs and delivery models
- ▶ Review organisational overheads
- ▶ Agile and reduce waste in terms of building customer resilience – early help & prevention

Community Impact Assessment

- ▶ Draft Equality and Community Impact Assessment attached – key purpose of today's workshop is for you to look through and add comments
- ▶ EIA – including protected characteristics
- ▶ This is important to assess how the business plan will support communities



Next Steps & timetabling

- ▶ TCG – Capacity Building and HRA Business Planning training
- ▶ HRA Business Planning modelling – sub group?
- ▶ TCG meetings April, June and ongoing
- ▶ Wider partnerships and stakeholder discussions over Summer
- ▶ Corporate Scrutiny 11th July 2018
- ▶ Options to Cabinet 16th August 2018
- ▶ HRA Business Plan 2018–2048 end of Calendar Year 2018/19

