 <b>Finance &amp; Audit Scrutiny Committee</b> - 19 <sup>th</sup> June 2012		<b>Agenda Item No.</b>  <div style="text-align: right; font-size: 2em;"><b>9</b></div>
<b>Title:</b>	<b>Business Plan Performance Management Report</b>	
<b>For further information about this report please contact</b>	Jameel Malik, Head of Housing and Property Services	
<b>Service Area</b>	Housing and Property Services	
<b>Wards of the District directly affected</b>	All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	<ul style="list-style-type: none"> <li>• 05.03.12 Finance and Audit Scrutiny Committee minute number 125</li> <li>• 06.03.12 Executive minute number 134</li> </ul>	
<b>Background Papers</b>	<ul style="list-style-type: none"> <li>• Housing Business Plan</li> </ul>	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive		Chris Elliot
Deputy Chief Executive		Bill Hunt
Deputy Chief Executive		Andrew Jones
Head of Finance		Mike Snow
Portfolio Holder for Housing and Property Services		Councillor Norman Vincett
<b>Consultation Undertaken</b>		
Please insert details of any consultation undertaken with regard to this report.		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1 SUMMARY**

- 1.1 The purpose of this report is to present to Finance and Audit Scrutiny Committee an update on the Housing Business Plan and progress being made to maximise the number of homes through the Plan

## **2 RECOMMENDATION**

That Finance and Audit Scrutiny Committee notes:

- 2.1 The monitoring arrangements for the approved expenditure to prepare a business case to accelerate and maximise the provision of new homes as part of the Housing Business Plan.
- 2.2 The performance management framework for the Business Plan.

## **3 REASONS FOR THE RECOMMENDATION**

- 3.1 On 6<sup>th</sup> and 7<sup>th</sup> March Executive and Council approved the Housing Business Plan.
- 3.2 Alongside approving the Housing Business Plan Council also agreed to delegate to the Head of Housing and Property Services, in consultation with the Portfolio Holder for Housing and Property Services, to incur expenditure, as necessary, of up to £100,000 from HRA balances to prepare a Business Case to maximise the provision of new homes. The Finance and Audit Scrutiny Committee suggested a need to closely scrutinise this £100,000 of expenditure and the monitoring arrangements to be explained to members as soon as practicable.
- 3.3 This report therefore sets out the monitoring arrangements for this agreed expenditure. It is proposed that the new interim Housing & Property Board which consists of cross party representation as well as officers from Housing & Property Team oversees and approves the tender brief for the services proposed to be commissioned as well as the monitoring of that expenditure.
- 3.4 The Interim Housing & Property Board will also ensure that Finance and Audit Scrutiny Committee will also receive regular updates as part of the Business Plan Financial Framework.
- 3.5 As part of the decision making process Finance and Audit Scrutiny Committee also proposed that a project plan be presented setting out the management arrangements for the Business Plan in particular with check points and milestone reports made more than annually to Executive and exception reports made to the next meeting of the Executive.

- 3.6 The Business Plan Financial Framework attached at Appendix 1 sets out the proposed financial monitoring indicators for the Business Plan.
- 3.7 This Framework is based on key parameters set out in the sensitivity analysis of the Housing Business Plan. It shows quarterly performance of the business against the base assumptions contained in the Plan.
- 3.8 The performance outturn will be presented to the Interim Housing and Property Board on a quarterly basis together with any exception reports as required. A template of the exception report is attached at Appendix 2 which contains details of the causes and mitigations for any significant variances. These quarterly reports will also be included in the nearest monthly 'Budget Review' report to SMT.
- 3.9 The Framework will be presented to the Finance and Audit Committee six monthly together with details of any exceptions. The Framework will also be presented to Executive as part of the annual budget setting process.

#### **4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 The committee may alternatively suggest that the monitoring of expenditure should be more frequent. However, the Interim Housing & Property Board will provide this function with high level reports to the committee when required.
- 4.2 The committee may alternatively suggest more frequent updates than the proposed six monthly. However the Interim Housing & Property Board with its cross party membership and officer representation from Housing & Property Services and Finance will provide the more frequent quarterly reviews.

#### **5 BUDGETARY FRAMEWORK**

- 5.1 Effective monitoring and control of expenditure and income is a fundamental part of the proper financial management for the Council, enshrined within the Code of Financial Practice and monthly Budget Review process.
- 5.2 The move to a 'Self Financing' Housing Revenue Account (HRA) has removed the uncertainty of increasing annual negative Housing Subsidy payments to Central Government. Instead the Council has paid a one off settlement figure of £136.2m, by taking on several PWLB loans at a fixed rate of interest (averaging 3.5%) to be repaid in stages from year 41 to 50 (2053 to 2062). This has allowed the Housing Business Plan to include significant ambitions for the building of new homes, which would not have been possible under the previous 'subsidy' system.
- 5.3 Due to these plans for considerable capital expenditure and the need to provide for the eventual repayment of £136.2m of debt, it is essential to project Business Plan expenditure over the full 50 year term of the Plan rather than just the short to medium term (up to 5 year) horizon more commonly

considered. Small variations in the early years may, if not identified and addressed, have a significant impact on the ability to meet the ambition for the provision of new affordable homes in the district - and potentially the ability to repay the debt within 50 years.

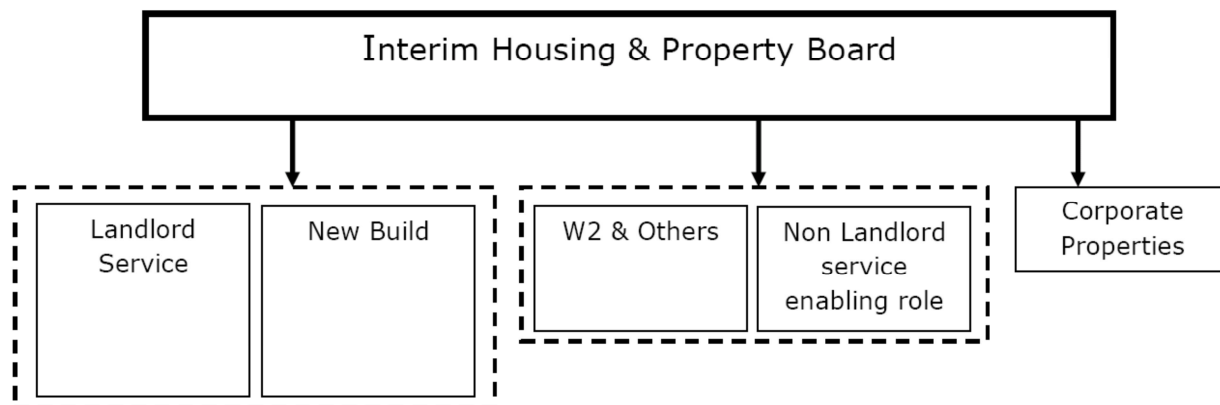
- 5.4 Therefore the existing Budget Review and Performance Management processes will continue - but with an additional focus upon identifying potential longer term variations, and projecting the likely financial effect over 50 years.
- 5.5 The proposed Business Plan Financial Framework summary (Appendix 1) shows projected variances against high level key performance measures, such as average repairs costs per home, void rates and right to buy (RTB) sales. The detailed causes of significant variations, and actions taken to mitigate any negative effect, will be explained in an exception report. (Appendix 2).
- 5.6 Officers are currently considering the practicalities of producing this information on a regular basis. This may result in some changes to the proposals in Appendix 1.

## **6 POLICY FRAMEWORK**

- 6.1 The recommendations of this report are in keeping with the approved Housing Business Plan.
- 6.2 Effective monitoring and control of expenditure and income is essential for the proper financial management for the Council.

## **7 BACKGROUND**

- 7.1 The Housing Business Plan which was approved by Council on 7<sup>th</sup> March 2012 sets out the strategic direction of the Housing Landlord Service including the priority to deliver new homes through Housing Revenue Account funding.
- 7.2 The Housing Business Plan is one element of the overall strategy for the Housing and Property Service. An Interim Housing and Property Board has been set up to oversee the development of a service wide strategy and strategic management of the following key programmes:



7.3 The Interim Board consists of the following members:

- Councillor Michael Doody - Leader
- Councillor Norman Vincett - Portfolio for Housing & Property
- Councillor Andrew Mobbs - Portfolio Holder for Finance
- Councillor Janice Dean - Shadow Portfolio Holder for Housing & Property Services
- Councillor Nick Pittarello - Shadow Portfolio Holder for Housing & Property Services
- Councillor Bertie MacKay - Independent Group
- Jameel Malik - Head of Housing & Property Services
- Mike Snow - Head of Finance
- Abigail Hay - Business Support Manager
- Satnam Kaur – Housing Strategy Manager
- Sandra Jones - Principal Accountant
- Mark Smith – Accountant
- Roger Wyton - Principal Accountant
- Rob Harris - Chair of the Tenant Panel

7.4 The terms of reference of the board are attached at appendix 3.

*Update on self financing*

7.5 Further to the approval of the Housing Business Plan on 7<sup>th</sup> March, the transactions which enable Self Financing to begin were completed successfully on 28<sup>th</sup> March.

7.7 As per the Business Plan, we have secured several loans from the Public Works Loans Board (PWLb). They are scheduled to mature from 28/3/2053 through to 28/3/2062 (i.e. over 10 years between years 41 and 50) and have been secured at an average interest rate of 3.50%. This is lower than the 3.65% assumed in the Business Plan presented to members in March 2012, reducing the annual interest costs by £210,000. For illustration, if there were no other changes from current Business Plan assumptions then after 50 years the HRA balances will be £22m higher than projected the initial Business Plan.

## Appendix 1 – Business Plan Financial Framework (BPFF)

Performance Measure	Business Plan Assumption for Quarter	Actual Value for Quarter	Business Plan Assumption for Year	Projected Value for Year	Actual Variance for Quarter Fav. / (Adv.) £'000	Projected Variance for Year Fav. / (Adv.) £'000	Projected Variance for 50 Year Plan Fav. / (Adv.) £'000	Is Financial Variance over 50 Years Favourable or Adverse?	
Average Management Costs per Home	£227.74		£910.98						
Average Revenue Repairs & Maintenance Costs per Home	£192.92		£771.68						
Average Capital Maintenance Cost per Home	£323.64		£1,294.55						
Bad Debts as a % of Gross Rents	0.84%		0.84%						
Void Rates as a % of Gross Rents	1.08%		1.08%						
Rents set in line with Central Government formulas	£82.14	£82.14	£82.14	£82.14	0	0	0	K	
No. of Garages Demolished to provide land for development	5		22						
No. of Right-To-Buy Sales	3		11						
No. of New Build Homes	0	0	0	0	0	0	0	K	
Interest Rate on Debt	3.65%	3.50%	3.65%	3.50%	53	210	22,000	J	Favourable
<b>OVERALL EFFECT OF ALL CHANGES ABOVE</b>	as above	as above	as above	as above					

**Appendix 2 – Draft Exception Report Template**

<b>Financial Measure</b>	
<b>Variance</b>	
<b>Cause</b>	
<b>Mitigation</b>	

## **Appendix 3 – Interim Housing & Property Board Terms of Reference**

### **WARWICK DISTRICT COUNCIL**

#### **RAISON D'ETRE OF THE INTERIM HOUSING & PROPERTY BOARD**

1. To oversee the service wide governance review and propose preferred governance model to Executive for Executive Approval.
  - a. To ensure the governance review meets as far as possible elected member and customer expectations including best practice
2. Oversee the development of the emerging Housing & Property Services Strategy
3. Until the governance review is implemented to direct the services affairs including the following functions predominantly in relation to the Landlord Service:
  - a. The Interim Housing & Property Board has no delegated authority. All decisions will be made by Executive and the board will provide a mechanism to provide cross party support.
  - b. High level monitoring of performance across key business areas
  - c. To create the structures and environment for risk management to operate effectively, satisfying itself that risk is managed effectively
  - d. To agree interim governance structure and key business areas
  - e. To receive high level exception reports on business area performance
  - f. To manage the Interim Housing & Property Board Project Plan