

## Housing Revenue Account Business Plans and 'Health Checks'

AWICS is a Management Consulting and Training company that provides advice and assistance to public services including housing and local government. Within this we have developed specialisms in housing revenue account business plans and 'health checks'.

A business plan has been defined as a formal statement of business goals, reasons they are attainable, and plans for reaching them. It usually includes a narrative that describes the plan and a financial model.

AWICS has developed a methodology for carrying out a 'health check' of a local authority housing revenue account. It is often useful to carry out a 'health check' as part of preparing or reviewing a business plan. This 'health check' can be applied in England, Scotland or Wales as it recognises the differences in approach in each country.



**Adrian Waite, Managing  
Director of 'AWICS'.**

### Business Plans

As part of our management consultancy offer, AWICS has experience in assisting local authorities with writing business plans. Business Planning is focused on two key processes. First, the strategic analysis that is required to identify the objectives of the business plan and what is required to achieve those objectives and Second, a long-term financial plan to realise those objectives. The key to writing an effective business plan is to carry out sufficient robust analysis to underpin the strategy and the financial plan. It is also important to stress test the financial model by carrying out sensitivity and risk analysis. This usually involves a significant amount of financial analysis and financial modelling. There are a number of templates that can be used.

The United Kingdom Government has produced guidance on what it considers essential to make a local authority housing business plan 'fit for purpose'. To comply with this guidance, authorities must address the following matters adequately:

- Strategic Context and Consultation
- Stock Condition
- Current Performance
- Resources
- Priorities and Options
- Delivery and Presentation
- Accessibility

The Marketing Plan is a key part of the business plan. Marketing is more than just advertising. It requires a good understanding of the environment in which the business operates and a robust analysis of the market including potential and actual customers and competitors. This leads to decisions about the products and services that are to be offered and how they are to be provided - for example, what sort of new homes to build and what services to offer to residents. This approach is as important in the public sector as it is in the private sector.

While preparing a business plan various options will be considered. It will often be necessary to prepare a business case. For example, a housing business plan will often require preparing a business case for a new build scheme or regeneration scheme. AWICS has experience of providing assistance with business cases in many contexts.

## Health Checks

A 'health check' of the housing revenue account can include all or any of the following elements:

- Reviewing the housing revenue account and business plan as it currently stands and in the light of recent changes to government policy and other external factors (including in England the reinvigoration of 'right to buy', 1% annual rent reduction, sales of high value council homes, near market rents for tenants with high incomes, welfare reform and devolution) and demographic change.
- Checking that the budgets and business plan reflect actual expenditure and income.
- Considering the financial strategy, data and assumptions that underpin the budget and business plan and advising on how robust these are in the light of self-financing.
- Carrying out sensitivity analysis to identify which variables would be likely to have a significant effect on the viability of the business plan thus identifying the risks involved in the plan and suggesting strategies to mitigate those risks.
- Identifying changes that result from the introduction of self-financing including those affecting treasury management and advising on the implications for the business plan.
- Considering Value for Money issues including benchmarking with other local authorities and registered social landlords and identifying areas where value for money gains could be made.
- Reviewing governance arrangements, following the Chartered Institute of Public Finance & Accountancy and Chartered Institute of Housing voluntary code of guidance on the Housing Revenue Account; including reviewing the support and service arrangements, defining where gaps may exist.
- Considering the major variables including: Rents, including future rent increases and levels of collection in the light of welfare reform and the level of current rents; Expenditure, including management, maintenance and major repairs; Rates of interest; Changes in stock levels including right to buy, other disposals and demolitions and new build; How capital investment in new and existing stock is to be financed; Accounting for Depreciation and Major Repairs; Treasury Management implications.

At the conclusion of the 'health check', we provide clients with a report containing a comprehensive analysis and practical recommendations including:

- Providing a position paper that identifies strengths, weaknesses, opportunities and threats; identifies possible future options for the Council including improvements to the service, new build, community investment and supporting wider regeneration objectives.
- Recommendations to improve the alignment between the business plan, the council's housing service the council's corporate objectives and the political, environmental, social and technological environment.

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Clients for whom we have recently provided assistance with housing revenue account business plans or 'health checks' include:

- Ashfield District Council
- Denbighshire County Council
- Enfield Borough Council
- Nuneaton & Bedworth Borough Council
- Oldham Borough Council
- Slough Borough Council
- South Derbyshire District Council
- Warrington Borough Council

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For further information about management consulting services that we offer to local authority housing, please contact Adrian Waite at [Adrian.waite@awics.co.uk](mailto:Adrian.waite@awics.co.uk) or 017683-51498 or visit our website at: <http://awics.co.uk/localauthorityhousing>