

**Cabinet**

**9 September 2014**

**Report of the Cabinet Members for Homes & Safer Communities & Finance & Performance**

**Review Housing Revenue Account Business Plan 2013 to 2043**

**Summary**

1. This report provides an overview of the revised Housing Revenue Account (HRA) Business plan for the next 30 years and provides detail of the key priorities for the next five years, including the investment fund to support the delivery of more affordable new homes.

**Background**

2. The core purpose of the HRA Business Plan is to set out the priorities for the business over the next 30 years and to demonstrate that the council can maintain its housing assets, deliver a quality customer focused service as well as improve its homes and neighbourhoods. It is first and foremost a financial document, which determines how the council will meet the needs of present and future tenants whilst ensuring the long-term viability of the stock.
3. In April 2012, the funding regime for local authority social housing changed radically. The abolition of the national (HRA) subsidy system, a national system for redistributing housing resources, was replaced with a locally managed 'self financing' system. Local authorities now retain the rental streams from their housing assets, alongside the responsibility for managing, maintaining and improving the housing stock and supporting an opening level of debt that was allocated to each authority. The level of debt allocated to York was £122m.
4. The Business Plan needs to be read in conjunction with the Asset Management Strategy, which covers the 30-year period 2013/14 to 2042/43 and sets out priorities for the physical care and improvement of the housing stock and related housing assets. This Business Plan draws upon the stock condition information and data analysis used in the formulation of the Asset Management Strategy.
5. In February 2013 Cabinet approved the business plan. The attached

document is a revised version to reflect the progress that has been made and highlight any changes in direction and new priorities

## **Consultation**

6. The development of the business plan has involved a wide range of staff from within housing services, building maintenance and corporate finance. In developing the plan we have had regard to a number national issues and local strategies that have informed the key priorities for the service
7. The original business plan has been shared with the Federation of tenant and residents associations. The revisions have also been discussed with the Federation in May 2014
8. The new building programme has been subject to extensive consultation with local residents through the planning process. Much of the capital programme also includes consultation with tenants

## **Options**

9. Option one – To adopt the revised plan set out at Annex one
10. Option two – To ask officers to revise the document

## **Analysis**

11. **Option one** - This Business Plan covers 7 areas where there are investment issues for the HRA. It also looks at assumptions around performance and treasury management, which have informed the plan, particularly in relation to the development of the Investment Fund. The key areas are

### New build

12. York is a city with a growing population with the number of people living in the city increasing from 177,100 to 198,800 between 1999 and 2009.
  - Demand for housing, and housing costs are high for both homeownership and the private rented sector.
  - Welfare reforms will exacerbate the problems of affordability within the private rented sector.
  - At April 2014 there were 2,300 households registered for social housing in York

- The council averages 500 council lettings per annum
  - The Strategic Housing Market Assessment concludes that 790 additional affordable homes are required to be built in York each year.
  - An average 150 affordable homes per annum have been built over the last 5 years.
13. Building on the success of the Archer Close development of 19 new council houses, the HRA investment fund combined with the borrowing powers give us a great opportunity to invest in building more council houses and increasing the affordable housing supply in the city.
14. Building new council homes will also enable the council to take a leadership role within the city and support the priorities set out in the Council Plan, in particular, creating jobs and growing the economy. Research by the UK Contractors Group<sup>1</sup> identifies that every £1 spent on construction generates a total of £2.84 in extra economic activity. Whilst acknowledging not all this would be in York. The first phase of the council house building programme is on course to deliver 50 new homes by the end 2015. The next challenge is to identify further sites for phase two of the programme.

#### Repairs and maintenance/stock investment

15. The Council's housing stock is well maintained. The stock has been the subject of significant investment over many years with a structured program of maintenance and improvement carried out and with a range of ongoing improvement programmes.
16. Over the next 5 years £74.5m will be spent on responsive repairs / maintenance and improvements to the housing stock.
- As at January 2014, there were 114 dwellings considered to be non-decent<sup>2</sup>. Every year a number of homes fall out of decency on a rolling basis and are improved within the financial year that they become non-decent.
  - As at January 2014 the average energy SAP rating of the housing stock was 74. This rating is in the top quartile across local authorities.
  - There are 611 non-traditional homes. These are properties whose original construction was not done in the conventional way.

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<sup>1</sup> National Federation of ALMO's – Lets get building

<sup>2</sup> Dwellings fall out of decency on a rolling basis and are improved within the financial year that they become non-decent

- The Business Plan sets out a capital improvement budget of £41.5m over the next five years to meet its capital maintenance and improvement programme.
- £33m to be invested in responsive repairs and cyclical maintenance over the next 5 years.

17. During 2013/14 year the department has:

- Modernised 266 homes to full decency standard (kitchen's, bathrooms, central heating & rewires)
- Replaced windows to 700 homes
- Renewed 60 roofs
- Replaced 712 doors with high security GRP doors
- Carried out external Painting to 1022 homes
- Loft Conversions to 7 homes
- Replaced old boilers with high efficiency gas boilers to 410 homes
- Carried out sound proofing to 67 homes
- Rewires to 33 properties

18. The current years programme continues to deliver improvements to the housing stock, key figures are:

- Modernise 250 homes to full decency standard
- Full refurbishment of 18 Airey (non-traditional) houses including new external skin, full insulation, windows, roofs
- Replace windows to 700 homes
- Renew 60 roofs
- External Painting to 1200 homes
- Loft Conversions to 10-16 homes
- Replace old boilers with high efficiency gas boilers to 400 homes
- Carried out sound proofing to 65 homes

19. In addition to the above work is ongoing to develop a solution to address a number of issues relating to dampness, in particular rising damp as a result of high water table levels in certain areas. This will be factored into the financial element of the Business Plan as part of the capital programme development.

#### Landlord services

20. The landlord function of the Housing Service deals with the pro-active estate management and community involvement which make our estates vibrant places to live and work. Key functions within this are: income management, tenancy management, letting of properties, Right to Buy

administration, resident involvement and low-level tenant ASB functions for the councils housing stock.

21. In 2013/14 the housing management team has reviewed its approach to community engagement and with tenant associations, ward councillors and other stakeholders they have been developing local action plans. A number of local hubs have been developed over the last year reflecting the council's ambitions to provide accessible local services. Further work is being undertaken to develop the offer that these hubs make to the community.
22. As part of ensuring that, as a strategic landlord, we make best use of our stock including tackling over crowding and under occupying, we will review the choice based letting process to determine its effectiveness and how efficient it is.
23. As part of the council's priority to develop community capacity the landlord services will continue to take a lead and develop the Local Estate Action Plans (LEAP). The purpose of these plans is to identify those things that are important to residents and local stakeholders and put action plans in place to tackle the issues. It is acknowledged that these are in their infancy and work will be undertaken over the next 12 months to strengthen their development.
24. Welfare reform remains a critical issue and over the next twelve months the service will continue to offer support and assistance to those that are affected by the reforms and those that are financially excluded. Preparations will continue in readiness for the introduction of universal credit. The mitigation that the council has put in place appear to have ensured that the performance on income recovery has not been maintained, it has improved, current rent arrears fell to £422K representing 1.3% of the debt at the end of 2013/14.

#### Supported housing

25. Supported housing is defined as housing which is designated for a specific group (such as older people, people with learning disabilities etc.) and in which there is some level of support provided as part of the accommodation offer, this is usually funded through a service charge to residents.
26. A supported housing strategy was approved last year to address the supported housing needs of the City, and to prioritise resources appropriately.

- The Council directly manages 7 sheltered housing schemes, and a further 4 sheltered housing with extra care schemes.
- Temporary accommodation for statutory homeless households includes Ordnance Lane (currently providing 31 units of various sizes) Holgate Road and Crombie House (20 units)
- Around 30 per cent of the total population in York is aged 55 or over, this is reflected in the profile of council tenants.
- Sheltered housing makes up 13% of social housing stock in York

27. Priorities for the next twelve months are to review the authorities' homeless accommodation to ensure that it is fit for purpose and where necessary bring forward proposals for re-provision, improvements to the sheltered accommodation and the implementation of the priorities within the Supported housing strategy.

### Adaptations

28. Local authority social housing providers are expected to meet the cost of any adaptation work required by tenants of their social housing stock. Currently 450 council homes are adapted each year to meet the needs of particular households. The investment requirement ranges from the need for minor adaptations, such as grab-rails and ramps, through more major adaptations such as stair lifts, through floor lifts and assisted bathing facilities, up to the need for major structural changes.
29. Once a property has been adapted, the council processes, via the choice based lettings system for managing our housing waiting list and allocations activity, ensures that properties with specific adaptations are prioritised for the use of those with appropriate need.

### Tenant involvement

30. Tenant involvement is critical to the delivery of an effective and efficient housing service. The authority is in the process of reviewing the approach to customer services. Housing services are part of this transformational review.
31. Working with our customers we have developed a range of involvement activities from which customers choose how they wish to influence services from a wide range of options including:
- York Resident Federation and 20 Resident Associations
  - Tenant Scrutiny Panel

- Tenant Inspectors
  - Annual Tenant and Leaseholder Open Day
  - A range of satisfaction surveys, focus groups and drop-in sessions
32. The long-standing York Residents' Federation is the umbrella group for York's Residents' Associations. With a formal structure, access to senior staff and the Cabinet portfolio holder as a standing member, the Federation's voice influences our policies, priorities and performance

#### Information systems

33. The Housing Services relies very heavily on a number of business critical ICT systems, with the Integrated Housing Management Information System (Northgate SX3) being one of the key applications. This system is currently being upgraded with the existing supplier.
34. There are a number of other key systems, which work alongside or integrate with this application, and a review of a number of these is required to make best use of the IT functionality currently available to support a housing business.
35. The integration of these systems requires significant resources and infrastructure to allow it to be fully operational and effective. Positive outcomes for the business will include the ability to support service delivery with accurate and comprehensive data, a reduction in waste and duplication and reduction in staff time spent interrogating systems that are not integrated. These benefits will feed through to customers as better informed decisions are taken and staff time is freed up to deliver for customers.
36. The development and use of advanced ICT technology and social media will fundamentally change and improve efficiency and coincide with a council wide initiative to work smarter and become less reliant on office accommodation for its field staff. This will help us take services to customers and communities and allow them to actively participate in service delivery and development in a wide variety of convenient ways.
37. The HRA plays an important role also in the delivery of Council priorities, this has been evident through recent work on poverty prevention, strengthening engagement and customer experience. Further work is planned within the plan to ensure alignment with wider priorities is achieved.

38. **Option Two** – The revised plan broadly follows the original business plan any significant changes would require the forecasts to be remodelled and would delay approval.

## Council Plan

39. The HRA business plan specifically relates to four of the five priorities with the council plan.
- **Create jobs and grow the economy** – with the considerable investment that is proposed in the existing stock and the intention to build new home.
  - **Building strong communities** – The plan clearly sets out housing services intention as part of the wider council approach to develop local services and work to develop community involvement in determining priorities
  - **Protect vulnerable people** – proposal within the support housing sector and the increased expenditure on adapting home demonstrate how the plan supports this priority
  - **Protecting the environment** – proposals to continue to invest in energy efficiency measure demonstrate a commitment to reducing the carbon footprint with the city. At the same time as tackling issues around financial inclusion

## Implications

40. The implications arising from this report are:
- **Financial** - The Business Plan sets out the financial details for managing the councils housing stock over the next 30 years. Adopting this Business Plan will enable the council to effectively manage its stock in a way that ensures that the HRA is financially sustainable. Details of how any investment fund may be allocated will be subject to separate reports and any specific financial implications arising from subsequent recommendations and their implication on the HRA Business Plan will be considered as part of the specific reports.
  - **Human Resources (HR)** - None
  - **Equalities** – Community Impact Assessments has been completed the details are contained in annex 3
  - **Legal** - None
  - **Crime and Disorder** - None



- **Information Technology (IT)** - Significant investment is proposed for ICT to support the ambitions of the plan. These will be discussed with the ICT team and built into work plans
- **Property** None

## **Risk Management**

41. Whilst the self financing regime has created a number opportunities, in particular the option to consider the building of new homes, there are a number of areas of risk that will need to be closely monitored and suitable mitigation identified.
42. The changes contain in the Welfare Reform Act continue to pose a challenge to the authority as the reduce income to some families and may increase the level of bad debts. Whilst the impact of spare room subsidy has been mitigated by the emphasis being placed on preventative work, such as financial inclusion, financial capacity building and measures to prevent households from falling into poverty. This work needs to continue with the pending implementation of universal credit.
43. Following the government changes to the Right to Buy, sales are higher than projected, reducing the overall level of rental income received. This has been absorbed into the plan any further increase could effect the capital programme which would need to be reduced for a period to compensate. The situation will be kept under review and any material impact reported to members.
44. The Government will continue to set national social rent setting policy and maintaining the rental income stream is essential for the viability of the business plan. Any variation from the national policy is likely to result in a negative financial impact on the business plan and could result in reductions in services to tenants.

## **Recommendations**

45. Cabinet are asked to

Agree Option One to adopt the HRA business plan as set out in Annex A

**Reason:** The plan sets out the priorities for the housing revenue account for the next 5 years and gives clear messages as to the commitment to continue to invest in the council's exist stock, the local communities and build new much needed social rented housing

**Contact Details:**

<b>Authors:</b>	<b>Cabinet Members and Chief Officer Responsible for the report:</b>		
<b>Tom Brittain</b> Head of Housing Services Communities & Neighbourhoods Tel No. 01904 551262  Co-Author's <b>Paul McCabe</b> Housing Policy and Planning Officer Communities & Neighbourhoods Tel No. 01904 554527	Cllr Tracey Simpson- Laing, Cabinet Member for Homes & Safer Communities & Cllr Daf Williams, Cabinet Member for Finance & Performance  <b>Sally Burns</b> Director of Communities & Neighbourhoods  <b>Ian Floyd</b> Director of Customer & Business Support Services  <b>Steve Waddington</b> Assistant Director – Housing & Community Safety		
	<b>Report Approved</b>	√	<b>Date</b> 11 August 2014
<b>Specialist Implications Officer(s)</b>			
Implication Financial Name Jayne Close Finance Manager Tel No. 01904 554175			
<b>Wards Affected:</b> All			√
For further information please contact the authors of the report			

**Annexes****Annex 1** – HRA Business Plan.**Annex 2** – Housing Revenue and Capital Projections**Annex 3** – Community Impact Assessment**List of abbreviations used in the report:**

ASB – Anti-Social Behaviour	RTB – Right to Buy
CPI – Consumer Price Index	SAP – Standard Assessment Procedure
EPH – Elderly Persons Home	
HCA – Homes and Communities Agency	
HRA - Housing Revenue Account	
LEAP - Local Estate Action Plans	
LHA – Local Housing Allowance	
PWLB – Public Works Loans Board	