

15 November 2017

Report to the Executive

Report of the Assistant Director of Housing and Community Safety

Portfolio of the Executive Member for Housing and Safer Neighbourhoods

Updated Housing Revenue Account Business Plan 2017 to 2047

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. The plan also demonstrates how the housing service is supporting wider agendas such as early intervention and prevention and the older people's accommodation programme.

Recommendations

2. Executive are asked to:
 - a) Agree Option One to adopt and recommend the HRA Business Plan as set out in Annex A.
 - b) Recommend to council the creation of a new capital budget of £20m to fund the creation of additional affordable homes over the period 2018/19 to 2022/23
 - c) Using Right to Buy receipts and the investment fund to purchase 'first refusal' former council tenancies and appropriate properties on the open market within the limits stated.
 - d) Agree that there is no longer a requirement to conduct a stock options appraisal in light of the changes that have happened since the original decision was made at executive in October 2016, and resident associations expressed desire to remain with authority.

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 existing stock, local communities and build new much needed social rented housing.

Background

3. 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.
4. 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.
5. The Business Plan needs to be read in conjunction with the HRA Asset Management Strategy, which covers the 30-year period 2015/16 to 2044/45 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.
6. Following the general election in May 2015 there was a need to fundamentally review the plan to take account of the local impact of changes announced at a national level. These are outlined below:
 - a) The announcement in the July 2015 budget statement that social housing rents will reduce by 1% a year for the next 4 years which resulted in a reduction in income over the 4 years of £12.8m and of approximately £240m over the lifetime of the business plan.
 - b) The Housing and Planning Act which received royal ascent in May 2016 which included:
 - the extension of the right to buy to Registered Providers (Housing Associations) tenants and cross subsidised by Local Authorities selling their high value stock to compensate the RPs for the discounts. There are still a lot of unknowns associated with the high value sales and therefore what the impact of this will be in the business plan. Current estimates assess the

financial impact to be in the region of £100m on a best case scenario and £214m on a worst case scenario;

- The introduction of 'pay to stay' whereby households who are earning more than £30k will be required to pay a market rent;
- The ending of 'lifetime' secure tenancies for social tenants through the introduction of flexible tenancies.

c) The impact of further welfare reform on the income management of the HRA.

7. In the intervening period much has changed. The EU referendum and subsequent 'Brexit' negotiations have taken up much of government time and effort. There has also been a distinct change in language and emphasis as well as a change of Prime Minister and a further general election earlier this year.
8. 'Pay to Stay' has formally been dropped whilst the full implementation of the full extension of Right To Buy has not happened including the compulsory sale of higher value stock to fund this. In addition, secure tenancies in their current format are still available as the regulations around flexible tenancies have not been published as yet.
9. There has been a change in emphasis in housing policy from home ownership to an acknowledgement that more affordable rented options are also needed. The fire at Grenfell Towers has also lead to a review of regulations and fire safety in social housing with significant recommendations expected in the future.
10. There has also been increasing calls to tackle the housing crisis and this is exemplified with the passing of the Homeless Reduction Act 2017 to become effective from April 2018. This extends the duty to provide assistance to a wider range of people who are threatened with homelessness over a longer period of time before a duty to provide 'relief' through the provision of housing is required. A statutory Code of guidance is being developed.
11. The Housing White paper, 'Fixing Our Broken Housing Market' was published in February 2017. This emphasises an accelerated housing building programme and removing some of the blockages in doing this including in the areas of planning and encouragement for smaller developers.
12. A Social Housing Green paper has recently been announced promising a *'wide ranging, top-to-bottom review of the issues facing the sector'* to include the safety of social housing following the Grenfell Tower fire, the

quality of social housing, management of homes, rights of tenants and how complaints are handled.

13. At the recent Conservative Party conference a further £2 billion of funding was announced and Government has confirmed plans for a new generation of council and housing association homes. Funding for affordable homes will be increased to more than £9 billion with a focus on those areas 'where need is greatest'..
14. The Government has also recently announced that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.

Consultation

15. 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
16. The revised business plan and the impact of the national changes has been discussed with the Federation of tenants and resident associations. The Federation have also expressed concerns about the pending stock options appraisal and their desire that the stock is retained by the council
17. 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

18. Option one – To adopt the updated plan set out at Annex A.
19. Option two – To ask officers to further revise the document.

Analysis

20. **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 replenishing of the Investment Fund. The key areas are:

New build

21. York is a growing city with the number of people living here increasing from 177,100 to 208,400 between 1999 and 2017. Latest projections for population growth suggest an increase for the period 2012 – 2032 in the range 224,081 to 231,769¹. Demand for housing across all tenures is high and meeting that demand remains a challenge :

- 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 October 2017 there were 1,600 households registered for social housing in York;
- The latest Census results indicate that York had a population of 198,051 people in 2011. This represents an increase of 9.2% in the number of people living within the authority area since the 2001 Census. The 2016 Mid Year Population Estimate (released by ONS) estimates York's population to be 208,367, which is a 5.2.%population increase since the last Census.
- the largest growth in population is projected for people aged 60 and over; an increase of 16,500 (36%) from 2012 to 2031;
- The population aged 75 or over is projected to increase by a greater proportion than this (56%)
- The council averages 500 council lettings per annum;
- The Strategic Housing Market Assessment 2016 indicated the following need for market and affordable housing.

Table 1: Market and affordable housing need by number of bedrooms.

	1 bed	2 bed	3 bed	4 bed
Market	5-10%	35-40%	35-40%	15-20%
Affordable	35-40%	30-35%	20-25%	5-10%
All dwellings	15%	35%	35%	15%

Source: Strategic Housing Market Assessment (SHMA) 2016

- The council's Draft Local Plan currently proposes allocating sufficient residential housing sites to deliver a total of 867 homes each year. This must include the provision of affordable housing.

22. The existing council house building programme has allowed the council to take a leadership role within the city and support the priorities set out

¹ Report to Executive 13/7/17 – SHMA addendum update May 2017

in the Council Plan, in particular, '*A prosperous city for all – where local businesses can thrive and residents have good quality jobs, housing and opportunities*'. Research by the UK Contractors Group² identifies that every £1 spent on construction generates a total of £2.84 in extra economic activity of which a significant element is retained within the local economy. Through a programme of Housing Revenue Account investment 54 new build council houses and flats have been completed since 2015, with a further 27 due by the end of 2017. The programme continues and a number of 'pipeline' sites are currently being progressed.

23. In addition the council has secured £2.76 million in Government funding via the HCA for a new affordable housing plan to help secure 65 new affordable homes. It will see some properties bought on the open market and other new build homes available for shared ownership.
24. House prices are some of the highest in North Yorkshire - households need an income of £41,100 p.a. to purchase an 'entry level' home at the lower quartile average cost of £160,000. To rent a lower quartile property at £575 per month would need an income of between £17,250 and £27,600 depending on the affordability threshold (usually between 25% and 40%).³ The average York house price is 9.6 times greater than average earnings putting home ownership out of the reach of many .
25. Office of National Statistics data show that York has one of the most urgent affordability challenges of any local authority area in the North. York's workplace based median affordability ratio at 8.27 is 6th highest out of 72 local authorities in Northern England. Furthermore the latest Strategic Housing Market Assessment estimated 573 affordable homes are needed annually, compared to an average over past 5 years is 103 completions. As a result there are 1,125 applicants to the York waiting list in high or very high housing need. Lack of access to land is a key cause of this historic and ongoing shortfall.
26. Major improvement and regeneration projects have been undertaken:
 - The Ordnance Lane homeless hostel is not fit for purpose any longer and is being replaced (along with 3 other smaller facilities) following the purchase and refurbishment of James House, which will be a 57

² National Federation of ALMO's – Lets get building

³ Report to Executive 16 Mar 2017 - 'Strategic Partnership with the HCA for the Accelerated Delivery of Housing'

unit facility of one, two and three bed self contained units. The total cost of this is £10.5m which includes funding from the Homes and Communities Agency (HCA).

- The Groves Regeneration project has been undertaken following a successful bid for £265k from the HCA to undertake a feasibility study including design options on the 340 city centre homes. The local community have been involved in this from the start.

27. The Older Persons Accommodation Programme is delivering suitable homes for an ageing population, enabling residents to live independently longer and helping with the replacement of the city's outdated care homes.

- Glen Lodge extension and improvement to be completed November 2017 – improving **42 existing homes** and creating **27 new homes**
- Marjorie Waite Court extension currently being designed. Construction hoped to start in Q2 2018 (subject to planning etc.) to create **33 new homes**.
- Review of existing **Sheltered Housing** provision

28. It is intended to replenish the council housing investment fund to £20 million. This is made up of £10m from the working balance on the Housing Revenue Account, £5m housing capital, £4m retained Right To Buy (RTB) receipts and £1m commuted sums.

29. Up to 6.5% of the overall RTB receipts surplus can be used to 50% fund the re-purchase of properties sold under the RTB scheme on first refusal (built in to covenants and leases) prior to sale sold on the open market permission is sought to do so. Permission to use RTB receipts to purchase homes on the open market is also sought. RTB receipts must be spent within 3 years and up to 35% can be used in the purchase or development of homes. It is proposed that decisions on purchase of properties using RTB receipts be delegated to the Assistant Director of Housing and Community Safety to facilitate timely intervention in the market when needed.

30. It is also intended to continue and to accelerate the delivery of new housing pipeline schemes and to support the housing delivery company that the council intends to set up as part of it's wider move to influence the housing market in York and generate income. This is detailed in the report to executive 16th March 2017 '*Strategic Partnership with the*

Homes & Communities Agency for the Accelerated Delivery of Housing'
– Annex C. This could take the form of purchasing properties developed through this partnership by the development company.

Repairs and maintenance/stock investment

31. 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.
32. Over the next 5 years £79.9m will be spent on responsive repairs / maintenance and improvements to the housing stock.
 - 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.
 - The average energy efficiency SAP rating of the housing stock was 74. This rating is in the top quartile across local authorities.
 - There are 588 non-traditional homes. These are properties whose original construction was not done in the conventional way.
 - The Business Plan sets out a capital improvement budget of £42.9m over the next five years to meet its capital maintenance and improvement programme.
 - £10.4m of the £42.9 spend on modernisation
 - £35m to be invested in responsive repairs and cyclical maintenance over the next 5 years.
33. During 2016/17 year the Housing Service has:
 - Modernised 132 homes to full decency standard (kitchen's, bathrooms, central heating);
 - Rectified 26 homes of standing water problems.
 - Replaced windows too 12 homes;
 - Renewed 44 roofs;
 - Replaced 736 doors with high security GRP doors;
 - Carried out external Painting to 1179 homes;
 - Replaced old boilers with high efficiency gas boilers to 637 homes
 - Rewires to 120 properties
 - Installed 31 air source heat pumps
 - Replaced or updated 54 door entry systems
34. The current years (2017 / 2018) programme continues to deliver improvements to the housing stock, key figures are:

- Modernise 160 home's kitchen, bathroom and electrical systems;
- Renewing roofs to 32 blocks in current programme, consisting of a total of 267 properties, of which c.98 are top floor flats/maisonettes.
- External Painting to 1131 homes;
- Replace 650 boilers and heating systems with higher efficiency systems;
- Installing 1 Air Source Heat Pumps to non-gas homes, lowering our carbon footprint (this is the only one outstanding from the programme);
- Electrical testing and upgrades to 691 homes;
- Remediation of 80 homes suffering from standing water which can cause damp issues and damage (the program will reach over 200 homes in coming years)
- Door entry system installations and upgrades to 56 entrances.

35. In addition to the above, work is ongoing to develop a plan to move Tenants from private water mains to Yorkshire Water Mains in the Tang Hall area. This will be factored into the financial element of the Business Plan as part of the capital programme development.

Housing Management including Independent Living Communities

36. The Housing Management aspect of the Housing Service deals with the pro-active management of areas where the council has housing and community involvement which make our estates vibrant places to live and work. Most former council estates are clearly mixed tenure now due to the effects of Right To Buy. In many areas 50% of the former council properties are now privately owned. Key functions within this service are:

- income management (rent collection and rent arrears)
- tenancy management (mutual exchanges, tenancy amendments etc)
- letting of properties
- Right to Buy administration and management of leasehold properties
- resident involvement
- low level tenant ASB functions for the councils housing stock
- management of Independent Living Communities (formerly sheltered schemes)
- management of the shared spaces both internal and external

37. The new Housing Management structure has been in place since 2nd November 2017 and is intended to:

- Provide more personal holistic management of tenancies, communities and their environs.
- Support the council's approach to prevention and early intervention utilising the strengths of individuals and communities
- Help individuals and communities to become and remain resilient especially where services are reducing.

This will be done through ever closer working with internal and external partners as well as communities. The good working relationships will be built on and developed, for example through Ward Team working, operating as part of the Local Area Teams and working with Local Area Co-ordinators to improve the health and wellbeing, environment and opportunities for residents

38. Over the past 3 or 4 years the housing management team has reviewed its approach to community engagement and with tenant associations, ward councillors and other stakeholders they began 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 with partners and local area teams.

39. As part of ensuring that as a strategic landlord we make best use of our stock, work has been focused on tackling over crowding and under occupying. In the coming year we will review our membership of the North Yorkshire Home Choice partnership, work with colleagues across the council and with partners to ensure that our tenants cope well with the full roll out of Universal Credit and work with our Independent Living Community residents to make sure they are living as well and as independently as possible.

40. As part of the council's priority to develop community capacity the housing management services will review the Local Estate Action Plans (LEAP) and management of localities with residents, colleagues and ward teams. The purpose of these plans has been 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 need to be more effective and work will be undertaken over the next 12 months to strengthen their development and embed them into the way we work with communities.

41. The new focus of the housing management service will see the housing service become a focused single point of contact for households and a service that is the conduit for addressing the full range of needs of its customers at a household and neighbourhood level. The new structure means that Housing Management Officers are working on smaller patches but with a broader responsibility than traditional housing functions.
42. Welfare reform remains a critical issue and over the service will continue to offer support and assistance to those that are affected by the reforms and those that are financially excluded. Work will continue to cope with the wider roll out of universal credit and other welfare reforms. There are many examples questioning the efficacy of the Universal Credit system and York has prepared for it's introduction here. The measures taken were outlined in the report of the Assistant Director, Customer and Corporate Services received at the Executive Member for Adult Social Care and Health on 14th September 2017 entitled '*Options for the additional provision of Advice / Support following the introduction of Universal Credit*'.

Supported housing

43. 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.
44. A supported housing strategy was approved to help address the supported housing needs of the City, and to prioritise resources appropriately.
 - The Council directly manages 9 Independent Living Communities, and a further 2 Independent Living Communities with extra care.
 - 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.
 - Independent Living Community housing makes up 13% of social housing stock in York
45. Priorities for the next twelve months are to replace existing homeless hostel provision with James House, providing a modern new facility. In partnership with Adult Services the extension to Glen Lodge sheltered

scheme providing 27 new units will come on line in November 2017 as part of the wider older person's accommodation programme. An extension of Marjorie Waite Court currently is also being designed. Construction is hoped to start in Q2 2018 (subject to planning etc.) to create 33 new homes

Adaptations

46. Local authority social housing providers are expected to meet the cost of any adaptation work required by tenants of their social housing stock. Currently approximately 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.
47. Once a property has been adapted, the council's 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

48. Tenant involvement is critical to the delivery of an effective and efficient housing service. The authority has worked with resident groups and ward teams over the previous few years in the process of reviewing the approach to customer services. Housing services are part of this transformational review.
49. 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 14 Resident Associations
 - Tenant Scrutiny Panel
 - Tenant Complaints panel
 - Tenant Inspectors
 - Annual Tenant and Leaseholder Forum and Open Day
 - A range of satisfaction surveys, focus groups and drop-in sessions
50. 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 Executive portfolio holder as a standing member. The Federation's voice influences our policies, priorities and performance.

Information systems

51. The Housing Service and Building Services rely very heavily on a number of business critical ICT systems, with the Integrated Housing Management Information System (Northgate SX3) and Civica Servitor system being key applications. It has been identified that Housing overall use 17 ICT systems with sundry peripheral records to support these.
52. It has been agreed that a fully integrated system will be purchased that can deliver vastly improved efficiency for the business and our customers, including the ability to self serve on functions such as repair ordering on line, viewing of rent accounts or setting up direct debits. This project has a budget of £1.72 m, a project team is being put in to place and early work on scoping out the business requirements has been undertaken with a view to putting a specification out to market in March 2018.
53. The development and use of advanced ICT technology and social media will fundamentally change the way we work 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 24 hours a day wherever possible.
54. The HRA also plays an important role in the delivery of Council priorities. This has been evident through recent in work on poverty prevention, strengthening engagement and customer experience. Further work is detailed within the plan to ensure alignment with wider priorities is achieved.
55. **Option Two** – The updated plan builds on the previous business plan and replenishes the housing development fund which is a key priority for Housing Services and the Council as a whole. Any significant changes would require the forecasts to be remodelled and would delay approval.

Council Plan

56. This plan supports the Council's priorities to provide:
 - **'a prosperous city for all** – where local businesses can thrive and residents have good quality jobs, housing and opportunities'. The business plan proposes considerable investment in new and existing accommodation. This investment will be a significant boost to the local economy.

- **‘a focus on frontline services** – to ensure all residents, particularly the least advantaged, can access reliable services and community facilities’.
- **‘a council that listens to residents** – to ensure it delivers the services they want and works in partnership with local communities’

Implications

57. The implications arising from this report are:

- **Financial** – The key change within the Business Plan is that a further £10m has been identified from the HRA working balance to support the aspirations of providing a further £20m provision to support new housing schemes. This has been achieved without any significant detriment to the overall plan. The full level of debt that was taken at self financing settlement of £121.55m is assumed to be repaid by the end of the plan although the phasing has changed across some of the years to ensure the minimum balance is retained. There are a number of other assumptions included in the plan regarding rent levels, number of new properties, number and value of council house sales that we will sell through Right to Buy / High Value sales legislation all require close monitoring and will need to be regularly updated. The plan is financially robust as it can fully repay £121.55m debt whilst continuing to deliver in year surpluses (prior to debt repayment) in every year of the plan.
- **Human Resources (HR)** - None
- **Equalities** – Community Impact Assessment has been completed the details are contained in annex XX
- **Legal** - Legal advice will be sought as appropriate regarding Housing Law issues, development issues, and purchase of properties from the Housing development company and on the open market.
- **Crime and Disorder** - None
- **Information Technology (IT)** - Significant investment is in place for ICT to support the ambitions of the plan. These are built into ICT work plans and monitored by the Housing ICT Project Board.
- **Property** None

Risk Management

58. The changes on the running of the HRA nationally have allowed self financing through local housing authorities taking on the responsibilities and flexibilities that come through the removal of the subsidy system, being in charge of local rent setting, having the benefit of knowing what our income will be which creates the ability to effectively financially plan. In contrast we are still in the public sector and our financial viability is still subject to national decisions such as the decision to reduce council rents by 1% per year up to 2019 / 2020. This creates a risk that further changes could result in the business plan not being viable without significant reductions in services to our tenants. .
59. The changes contained in the Welfare Reform Act continue to pose a challenge to the authority as the reduced income to some families may result in increased levels of bad debts. 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.
60. Following the government changes to the Right to Buy, sales are higher than projected, reducing the overall level of rental income received. The impact of this and the not yet fully implemented national changes has been built into the plan, however unless savings are achieved we will not have a financially viable plan. Consideration also needs to be given to the potential for further national changes that may have a negative financial impact on the viability of the plan and what contingency can be put in place.

Recommendations

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Report
Approved

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All

Wards Affected: List wards or tick box to indicate all

For further information please contact the author of the report

Annexes

Annex A – HRA Business Plan 2017 - 2047.

Annex B – Financial Figures

Annex C – Strategic Partnership Opportunities with the Homes &
Communities Agency

Annex D – Better Decision Making Tool