

***Housing and Community Safety Policy and
Scrutiny Committee***

23rd September 2019

Report of the Assistant Director for Housing and Community Safety

Update of the Housing Revenue Account Business Plan

Summary

1. The last full revision to the Housing Revenue Account (HRA) Business Plan was approved by the Executive in November 17 with a further revision to the finances in Feb 19 to reflect the Housing Development Programme. An annual update of the Business Plan is undertaken which may typically include relatively minor adjustments to financial phasing or slight shifts in emphasis in response to new opportunities or challenges.
2. The significance of changes in national government housing policy since 2017 warrant a more comprehensive review of the Business Plan. This is reinforced by changes locally too with the council's declaration of a climate emergency, a more ambitious new build programme of market sale and council housing, the development of firm proposals for housing-led regeneration, a new housing stock condition survey and a new Asset Management Strategy (covered in a separate report to this meeting).
3. This paper outlines the purpose and scope of HRA Business Plan, the main priorities of the current Business Plan and the proposed additional areas of priority for a 2019 revised Plan alongside a similarly revised Asset Management Strategy. Members are requested to note and comment on the priorities outlined in the report and/or request any further information at future meetings that arise from the issues presented in the report

Background

4. The HRA Business Plan is first and foremost a financial document that determines how the council will meet the needs of present and future tenants whilst ensuring the long term viability of the stock. It sets out the priorities for the business over the next 30 years to demonstrate that the

council can maintain sufficient investment in its current assets, deliver a high quality customer service to its tenants and leaseholders and raise any necessary capital funding to support programmes of investment in, for example, new council house building. Contextual information includes a profile of the housing stock and performance data. It presents greater detail of investment priorities over the first five years of the Plan. The current 2017-2047 HRA Business Plan was approved by the Executive in November 2017.

5. The HRA Asset Management Strategy (AMS) 2015-2045 supports and informs the HRA Business Plan. It sets costed priorities for the physical care and improvement of the housing stock and related housing assets. And it covers the service and repair standards to be achieved and demonstrates how these will meeting regulatory compliance and legal obligations. The AMS is also being updated to ensure that moving forward there is a clear asset based synergy between the two strategies. Both the HRA Business Plan and the HRA Asset Management Strategy must also reflect the priorities in the soon to be launched strategic Council Plan.

Consultation

6. No consultation on the preparation of this report was necessary outside of Housing Services.

Options

7. Members of Scrutiny Committee are requested to
 - (i) Note and comment on the priorities outlined in the report and/or
 - (ii) Request any further information at future meetings that arise from the issues presented in the report.

Analysis

The current HRA Business Plan priorities

8. The introduction of self-financing in 2012 required local authorities to take over the historic debt on their stock in return for keeping almost all revenue income to invest directly in local services. For York this meant taking on a debt of £122m – reflected in the 2013-2043 Business Pan.

9. Following the 2015 general election there was a need to review the HRA Business Plan to take account of radical changes in the Government's approach to social housing.
10. The introduction of a four year annual 1% rent decrease had a major impact on the revenue funding assumptions of the Plan. Other *proposed* government policies included differential rents according to a tenant's income, the end of 'lifetime' secure tenancies and the enforced sale of high value stock with no retention of the receipts raised. These proposals were dropped following the 2017 general election but prior to that had a profound impact on the annual review of the financial modelling and priorities of the Business Plan. Welfare reform, including the Spare Room Subsidy (commonly known as 'bedroom tax') and the introduction of Universal Credit also had to be modelled for their impact on projected revenue income.
11. Following the 2017 general election government policy shifted significantly and acknowledged a pressing need for more rented homes as well as affordable home ownership options. The Grenfell Tower fire led to a review of fire regulations and safety in social housing and increasing calls to tackle the housing and homelessness crisis. The government white paper Fixing the Broken Housing Market emphasised a need for accelerated house building and a Social Housing Green Paper promised a 'wide ranging, top-to-bottom review of the issues facing the (housing) sector'. There has also been the passing the Homeless Reduction Act 2017 which extends the duty to provide assistance to a wider range of people who are threatened with homelessness. In addition the Government lifted the borrowing cap for Councils which has allowed additional funding to be obtained for the Housing Development Programme.
12. It was against this backdrop that the priorities for investment identified in the 2017-2047 Business Plan were agreed. They focused on seven key areas for the first five years of investment:
 - 1) New build council housing
 - 2) Repairs and maintenance/stock investment
 - 3) Housing management
 - 4) Supported housing
 - 5) Adaptations
 - 6) Tenant involvement
 - 7) Information systems

HRA Business Plan 2019-2049

13. Following the publication of the 2017 Business Plan the Executive approved in December 2017 a broad ambition to use council land and HRA investment including prudential borrowing to accelerate the delivery of both market and affordable homes. Prior to this, starting in 2012, the council house building programme has been relatively modest with a programme currently nearing completion of 144 rented homes and 57 supported housing flats. In addition funding has also been provided for the delivery of 65 shared ownership homes.
14. In July 2018 Executive approval was given for the delivery of new homes across 7 council owned sites to be undertaken through the HRA with a priority is that all the homes – whether for market sale or affordable rent/sale - set a benchmark for high quality and environmental sustainability as well as addressing housing need. The sites will include the provision of 40% affordable housing - double the amount that would be required under current planning policies. Further amendments to the programme have increased the number of sites to 8 and the homes delivered to at least 600 over the next five years including 250 affordable homes for rent and sale.
15. This new housebuilding programme represents a major change to the 30 year Business Plan agreed in 2017 and alongside other changes in national and local policies means it is timely and necessary to review the HRA Business Plan. In addition to the new build programme outlined above and the existing priorities of the Plan (listed in paragraph 14), the review will focus on the following areas.
16. Climate change. The national focus on carbon reduction and the climate change emergency has clear relevance to all council policies and investment priorities. This was reinforced in March 2019 when the Council declared a Climate Emergency and set a target to be Net Carbon Neutral by 2030.
17. As the single largest landlord in the city, the council is uniquely placed to influence and set a benchmark for good practice in reducing the carbon footprint of its stock of over 7,000 homes. The Executive has already signalled its intentions on this by agreeing at the July 2019 budget meeting an additional £1m to speed up progress towards achieving the Decent Homes Standard for all council housing and a further £1m to begin a programme of increasing the energy efficiency of the council

housing stock. Other possible solutions to reduce fossil fuel based heating will be explored and costed.

18. Housing stock condition survey. A new stock condition survey has recently been completed and its findings are currently being analysed. This is a critical piece of research and evidence base that will be used to inform the priorities of a new Asset Management Strategy to be written alongside the revised HRA Business Plan
19. Asset Management Strategy A revised AMS is being written that will detail the modernisation and repairs investment priorities of the service. It will be informed by an Asset Management Register that will be used to establish and rank the overall quality of every HRA dwelling including the potential for remodelling and wider regeneration. The AMS will both inform and be informed by HRA Business Plan, and corporate Council Plan priorities.
20. The Groves and other regeneration opportunities. Following the award of £265k grant funding in 2017 a two year project looking at housing-led regeneration possibilities in the Groves will culminate in a Community Plan being finalised by the end of the year. This will set out proposals that would see additional housing built alongside the comprehensive regeneration of derelict and under-used areas of the estate together with community asset building to improve health and well-being. The HRA Business Plan will consider the outcome of the Groves Regeneration Project and the stimulus this gives for regeneration opportunities elsewhere in the city, drawing on the key stock information in the Asset Management Strategy as well as on-the-ground knowledge of challenges and opportunities to revitalise estates and neighbourhoods
21. Consideration of all these opportunities and the challenges they bring will be subject to financial and options appraisals. An ambitious programme of carbon reduction to the housing stock, of new build housing and of regeneration of existing stock/neighbourhoods will need careful planning and prioritisation.

Council Plan

24. At the time of writing this report the Council is preparing a new strategic Council Plan in conjunction with the new ruling administration. The Plan will identify the administration's priorities over the coming term and matters relating to Housing are likely to play an important part in meeting

those priorities. The HRA Business Plan will need to reflect and support those priorities.

Implications

25. There are no financial, HR, equalities, legal, crime and disorder, IT, Property or other implications arising from the recommendations in this report.

Risk Management

26. There are no risks arising from the recommendations in this report.

Recommendations

That Members:

28. Note and comment on the contents of the report.
29. Request any further information at future meetings that arise from the issues presented in the report.

Reason: to inform the development of the Housing Revenue Account Business Plan.

Contact Details

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**Report
Approved**



Date

12.09.2019

Wards Affected: *List wards or tick box to indicate all*

All

Background Papers:

Strategic partnership opportunities with the Homes and Communities Agency for accelerated delivery of housing. Executive March 2017

Housing Delivery Programme – Establishing a delivery model and scope of the programme. Executive December 2017

Housing Delivery Programme – Executive July 2018

Building more homes for York - removal of the HRA borrowing cap. Executive January 2019

Annex 1 –Asset management Strategy- Discussion paper

Abbreviations

HRA - Housing Revenue Account

AMS – Asset Management Strategy