

Background note for scrutiny.

Authorities in Wales are required to present an “acceptable” Housing Revenue Account (HRA) Business Plan (including a 30 year financial model) to the Welsh Government each year in order that the Welsh Government can assess the progress of local authorities towards meeting and/or maintaining the Welsh Housing Quality Standard (WHQS) and be eligible for the Major Repairs Allowance (MRA) Grant (currently £9.6m).

The Plan must conform to a structure and include business plan parameters set out by the Welsh Government.

This plan also provides the link with the Corporate Business Plan, and the Communities, Housing and Customer Services Business Plan.

Issues covered in the HRA Business Plan are to;

- set out Cardiff’s purpose and vision as a social housing landlord;
- set out it’s objectives and standards for the service;
- plan how we achieve the objectives and standards set out (the strategies);
- plan resource and financial requirements;
- provide a framework for monitoring and evaluating the progress of the housing ‘business’;
- communicate Cardiff’s plans to its tenants, members, the Welsh Government, other key stakeholders, partners and the wider community.
- The Business Plan ensures;
- efficient use of housing assets;
- increased transparency of the HRA;
- precise planning of our housing management strategy;
- puts Cardiff’s housing accounts into a more business-like basis.

The City of Cardiff Council was the first authority in Wales to declare achievement of the Welsh Housing Quality Standard, almost two months ahead of the Welsh Government deadline date of December 2012.

Following the completion of the WHQS for existing Council Housing, the Business Plan incorporates the Council’s objective to deliver high quality and sustainable housing. A new build housing partnering scheme is being undertaken which will deliver approximately 1,500 new housing units, with a minimum of 40% being affordable housing. A number of existing land sites

already in the ownership of the HRA have been identified for building new homes. However to supplement this, a number of other sites currently in the ownership of the General Fund are planned to be appropriated to the HRA to allow the Council to maximise the effective use of existing surplus land.

Other key objectives included in the Business Plan are:

- The **Remodelling and Restructure** of existing homes over the life of the plan. There has been a review as to the suitability of our sheltered housing accommodation and one of our sheltered blocks (Minton Court) has already been modernised to keep pace with tenant needs. A second block (Sandown Court) is currently undergoing significant remodelling to make the building fit for purpose.
- Major **Estate Regeneration** works at Trowbridge Mawr are continuing and re-cladding, courtyard improvements and landscaping works are almost complete at Hodges Square. A similar regeneration scheme is due to start in the new year at Trenchard Drive. Other smaller scale projects are planned throughout the city and include garage sites, gullies and alley gating schemes.
- Expansion of the **Community HUBs** has continued to plan making housing and benefit advice more accessible and the provision of other services such as job clubs; work related training and free internet access. The Advice Hub relocated from Marland House to the Central Library Hub in July 2015 and the Rumney Partnership Hub, a joint venture with Communities First, opened in November 2015 incorporating library provision and advice services. Grangetown Hub development is well under way and construction work has started on the STAR Hub project; an exciting venture with on site leisure facilities and is due to complete summer 2016.
- Large scale **Capital Improvement Works** e.g. 'A' rated boiler upgrade programme, over cladding works, house painting, roofing replacements, communal flooring upgrades and new front doors for low rise flats.
- The continued delivery of **Community Benefits** in partnership with our external building contractors, delivery apprenticeships for people living in Cardiff communities and the volunteering of staff time.
- The scrutiny of **Performance Indicators** and **Tenant Satisfaction Surveys** against targets to measure Housing Management Services.
- Focus on improving **Tenant Participation and Consultation** including examples of community projects and information on grants available and advice on how to make a difference in a community.
- The current and future investment in **Neighbourhood Regeneration and Area Improvement Strategies**.
- Spotlight on the financial commitments and resource implications via the 5 Year **Capital & Revenue Budgets** (Draft).

As from April 2015, Cardiff gained greater powers in respect of the way it finances its landlord services and meets the needs of tenants and the communities in which they live. Part 4 of the Housing (Wales) Act provides the legislative framework for the introduction of the new social housing rent policy. Under the new rent policy, the Welsh Government will set an annual target rent band for each landlord. The responsibility for setting the rents for individual dwellings still rests with the Council.

Within this new policy, the Welsh Government has also set a minimum rent increase of 1.4% for 2016/17 but has allowed Councils the flexibility to raise further rental income to invest in upgrading the existing housing stock and its environment or in building new properties. The amount of the increase is restricted to £2 per week above the minimum 1.4%. It is proposed that use is made of the increased flexibility to raise rent at a rate of 1.4%, plus £2, to ensure the long term sustainability of the Housing Revenue account, and to allow the development of new council housing. Tenants will be consulted about this proposal and about their priorities for using the funds. The percentage increase for 2016/17 would still be lower than in previous years and council rents remain very good value for money when compared with privately rented accommodation. If tenants receive housing benefit, this will increase automatically to cover the full increase in their rent.

This table below will be presented at scrutiny on 6th January 2016

Average weekly rents in Cardiff across the various sectors are currently:

No. of Rooms	Market Rent	Intermediate (LHA) Rent	Council Rent
1	£	£	£
2	£	£	£
3	£	£	£
4	£	£	£

The business plan has given consideration to the impact of Welfare Reform. Financial modelling was carried out in an attempt to consider likely scenarios, particularly in respect of potential increases to rent arrears as a result of the reductions in Housing Benefit due to property rent/size restrictions. In addition, the modelling considered the potential additional costs of collection and arrears recovery. The Authority is putting in place various measures to minimise this impact. Tenants have been provided with detailed information about the changes, setting out available options including home swapping and property transfers. The waiting list process has been simplified and those cases affected will be prioritised within this process. There has been an increase in related staffing to assist and advise tenants with debt management and budgeting and to facilitate the changes, minimising impact as far as possible.

Legal issues

There are no direct legal implications but the requirement for a plan is set out in the body of the report. The approval of the business plan is an executive function which does not have to be referred to Council.

Financial issues

The Housing Revenue Account Business Plan must be supported by a 30 year financial model. This financial model assesses the viability of the HRA over a 30 year time period. The model is also used to estimate the planned investment and the related capital and revenue implications over the period.

The financial model must by definition include many assumptions, particularly in respect of expenditure levels, capital financing, projected income levels and inflation rates. Obviously, this is further complicated by the uncertainty of the economic climate, the potential impact of Welfare Reform, the housing environment generally and the long term nature of the forecasts within the Business Plan. As a result, all of these assumptions are extremely sensitive to change.

A number of crucial assumptions are built into the model, as follows:

Awaiting parameters from Welsh Government.

In line with the current financial year, the projected receipts from future council house sales are kept at a very low level. It is not anticipated that this position will improve significantly in the immediate future.

The assumption in the model is that the WG Major Repairs Allowance remains at its current level of £9.6m p.a. over the course of the plan. Any allowance less than this will have an impact on the sustainability of the plan and the ability to maintain investment already incurred in the housing stock. The final allocation of Major Repairs Allowance to Cardiff in 2016/17 will not be known until after approval of the business plan.

The Business Plan details the capital and revenue funding implications of the proposed Capital Programme. The Programme assumes additional borrowing to be undertaken in order to build new housing and support investment in the existing stock. This will result in additional revenue implications which will need to be managed to ensure it does not impact adversely on the long term sustainability and affordability of the Housing Revenue Account. The position will be reviewed and may result in a requirement for offsetting revenue savings in future years which will be identified and reported through the financial monitoring process.

Any financial deficit and liabilities of the HRA are ultimately liabilities of the Council. It is important that undertaking additional borrowing for the development of new housing is supported by a robust financial business plan consistent with asset management requirements of the new and existing housing stock. Such plans should also consider the impact of future regulation changes on income levels.