

Housing Revenue Account 2022/23 Budget and Medium Term Financial Plan



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1.1 Introduction

The Housing Revenue Account (HRA) records income and expenditure in relation to Council Housing. This is required to be 'ring fenced' in accordance with the Local Government and Housing Act 1989. The ring fencing of the account means that local authorities must not subsidise costs relating to Council Housing from the General Fund (i.e. from Council Tax or from the RSG) or subsidise General Fund costs from the HRA.

The main expenditure items within the account include repairs and maintenance, supervision and management (including tenancy management and consultation, rent collection, housing allocations and property and estate management) and capital financing charges on the HRA's outstanding loan debt (interest and provision for repayment). The major income streams include rents and income from service charges.

The Council aims to provide good quality, affordable homes in communities where all people feel safe and connected.

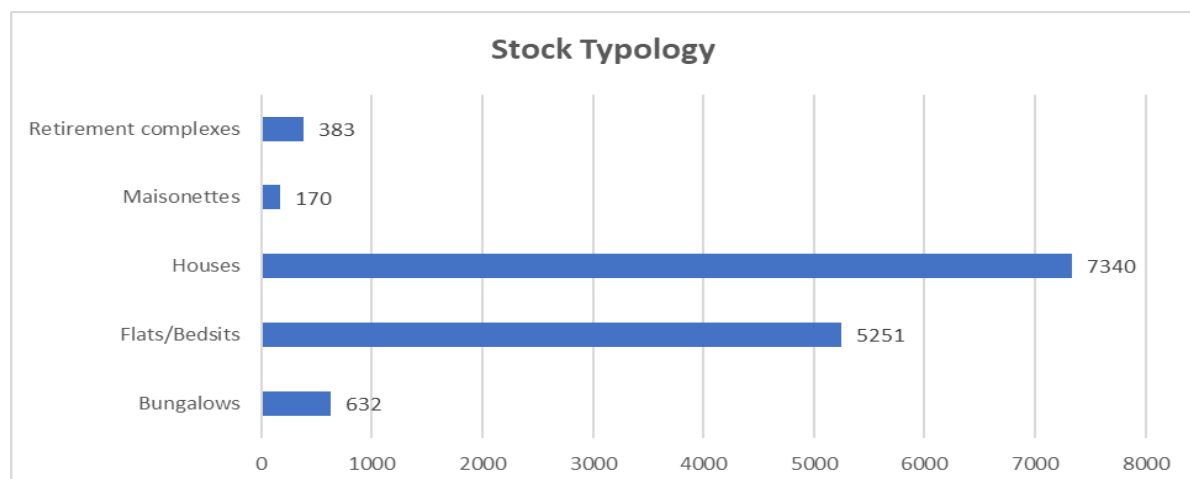
Good, energy efficient housing is vital to the health and wellbeing of tenants while regeneration and enhancement of the environment is important for all local residents.

Key services to tenants and leaseholders include management, repair and service costs of the housing stock, tenancy services including anti-social behaviour management, welfare advice and support including Into Work Services and the Community Hubs.

Whilst recognising the importance of services to existing tenants the Council also understands the pressure of housing need in the city and has an ambitious new build programme to help address this and an allocations system that ensures that those with the greatest need are housed first.

1.2 Stock Typology

The Housing Revenue Account has a standard stock of 13,776 properties across the wards of Cardiff with a range of stock, as follows:



1.3 Demand for Social Housing

There is a high demand for social housing in Cardiff and a limited number of properties become available to let each year.

Cardiff Council in partnership with Cadwyn, Cardiff Community, Hafod, Linc Cymru, Newydd, Taff, United Welsh and Wales and West Housing Associations operate a Common Housing Waiting List for social housing, from which suitable applicants are identified to be offered available properties.

The number of applicants on the Common Waiting List was 7,566 at the beginning of January 2022, with 411 identified as homeless. The total number of lets in the year to 1st January was 1,406 of which 738 were let by the Council with 668 let by partners. Pressures continue with new applications for the waiting list averaging over 300 per month.

1.4 Key Objectives and Priorities

There are seven key objectives that the service will prioritise in 2022/23:

1.4.1 Building new Council homes

We are delivering an exciting and ambitious housing development programme which will provide more than 4,000 new homes of the highest quality in a wide range of locations across the city. At least 2,800 of these will be new council homes and 1,200 homes for sale.

This award-winning programme is currently the largest council housing build programme in Wales and represents an investment of over £800 million that will deliver both enhanced and new communities where people are proud to live.

Our programme will deliver new homes of different size and design, but all built to meet key quality requirements, regardless of tenure, addressing a wide range of identified housing needs including those of larger families, older people, and for those with accessibility and medical needs.

It is not just about building quality homes. Access to services and a healthy local economy is essential for safe and strong communities. Many of our new build projects include new mixed-use buildings providing state of the art and sustainable spaces. Such projects include the transformational Channel View regeneration scheme or the Waungron Road redevelopment.

1.4.2 Investing in Existing Homes and Community Facilities

As well as building new homes, we are committed to ensuring that our existing stock is maintained to a high standard. We are compliant with the Welsh Government Welsh Housing Quality Standard (WHQS) and carry out programmed works as well as responsive repairs to our properties to make sure that this quality is maintained.

We will also continue to deliver the Hubs programme in collaboration with partners, including a new Youth Hub in the city centre and a Community Hub in South Riverside.

We will also work in partnership with the University Health Board to deliver Health and Wellbeing Hubs.

1.4.3 Preventing Homelessness and Supporting a Rapid Rehousing Approach

We will continue to build on the progress made during the pandemic; there will be 'No Going Back'. The Council's new vision for homelessness services aims to prevent homelessness wherever possible and, where it is not possible, for the experience of homelessness to be rare, brief and not repeated.

We will work with partners to deliver a rapid rehousing approach, while recognising that there are significant challenges to delivering this model, not least the lack of affordable housing in Cardiff.

For those with the most complex needs, it is recognised that longer-term specialist accommodation will be required, but this will be good-quality, self-contained accommodation that can provide a home environment in a supported setting. We are developing our accommodation options for homeless people, with our family homeless centre at the Gasworks site due to open in 2022 and we provide support in a community setting through our award-winning Housing First team.

1.4.4 Promoting Safe and Inclusive Communities

We will ensure our estates are good places to live through improved estate management, regeneration and area improvement works.

We will continue to invest in our existing communities by delivering regeneration and area improvements projects that will help create better and safer places to live. Improvements will include better access to outdoor spaces, making these easier to maintain and ensure that anti-social behaviour is less likely to occur.

We will also improve access and parking, improve the security of our existing homes and identify and remodel problematic spaces.

Our Local Action Team works to improve our Council housing estates by working with residents and encouraging them to take pride in where they live.

As a landlord, we will take firm action to eliminate Anti-Social Behaviour (ASB). We have a dedicated ASB Team that use a victim-led approach, focusing on what really matters to our tenants.

Through the city's Community Safety Partnership, the Council and its public and private sector partners will continue to work together to tackle crime and anti-social behaviour and to keep our communities safe, including a preventative approach to tackling the emerging threats of knife crime, County Lines and serious organised crime.

1.4.5 Providing Warm and Sustainable Homes

Our new build housing projects have always achieved a good standard of energy efficiency – focused on using a highly performing building fabric to retain heat more effectively and reduce heating bills for our tenants.

Recently, the Welsh Government have introduced a new design and performance standard called Design Quality Requirements (2021) (DQR). DQR legislates that all new affordable homes that are allocated Welsh Government funding must achieve an energy performance rating of SAP A.

This is a really positive step forward and we are committed to achieving this standard across all our new developments. We are bettering this by moving towards a net-zero carbon standard, removing fossil fuels as a heat source and harnessing renewable technology such as ground source heat pumps, solar panels with battery storage and electric vehicle charging points. This, combined with a highly efficient building fabric means we are minimising the carbon footprint of our build programme and ensuring that heating and power bills are reduced significantly for our tenants.

We are also working with Welsh Government and Cardiff Metropolitan University to monitor how these new homes perform and, importantly, to also understand how our tenants find living in them and whether their heating and power bills have been lowered. This is an important aspect of our move towards net-zero carbon building to make sure we understand how the new homes we build perform and that tenants are comfortable in their new homes.

In line with Cardiff Council's 'One Planet' Strategy, we will work toward net zero carbon in our existing homes. Using innovative approaches to improving and maintaining our homes, we will ensure that our properties are warm and sustainable for years to come. We will continue to invest in the cladding of high-rise blocks and we will commence a new programme of work to clad our low-rise blocks of flats and to install solar panels.

1.4.6 Tackling Poverty and Supporting People Into Work

Despite Cardiff's economic renewal over the years, the city has the highest number of people living in the most deprived communities in Wales. The pandemic has hit the poorest communities most. In addition, plans to migrate claimants from legacy benefits to Universal Credit are planned to commence in the Autumn of 2022 which could further impact on tenants' ability to meet rent and other financial obligations.

We will continue to provide support to our residents with debt management and budgeting advice. We will make best use of grants that can support those who are experiencing extreme financial difficulty, including the Discretionary Housing Payment scheme and we will promote and encourage take up of existing benefits, grants and discounts. We will support tenants in rent arrears, providing sustainable solutions.

Our Into Work Advice service will support those looking for work or looking to change their career path as the job market continues to change in the wake of the pandemic.

1.4.7 Supporting our Tenants

The pandemic has had negative impacts on our most vulnerable tenants. We will continue to provide and expand help and support to our young people, families and older people and those with support needs.

Our Tenancy Sustainment Team provides an intensive service to tenants that are struggling to sustain their tenancies and are at risk of tenancy enforcement action.

The Tenancy Sustainment Officers identify tenants most at risk of tenancy failure, supporting tenants who are likely to disengage with services and external agencies. The team also look at early intervention, to stop tenancy issues from escalating and to prevent evictions.

To ensure that we meet our commitment to not evicting wherever possible, we have reviewed our approach to the collection of rent arrears. Early intervention is key and our officers work with our tenants to encourage payment and to resolve any issues that are preventing payment. Our Welfare Liaison Team assists tenants with budgeting, debt, and income maximisation.

With the demand for larger housing so great in the city, there are many cases of overcrowding in both social and private rented properties. We will deliver a wide range of creative solutions to improve this situation so families can live in homes that better suits their needs.

We are committed to supporting our most vulnerable young people. Our Young Persons Gateway supports young people who are threatened with homelessness or who need to move on from care. The gateway provides supported accommodation and, once a young person is ready to live independently, our Tenancy Training pathway helps them move on to secure housing, with continuity of support from the same provider. Our Tenancy Training pathway has a 99% tenancy sustainment rate.

The Council has recently launched our new Cardiff Aging Well Strategy. Findings from a range of research shows the benefits of suitable older persons' housing in supporting independence and reducing the need for residential care. Our development programme is investing heavily in building new accessible, adaptable and affordable homes for older people which will help promote independent living. 10 new community living buildings are planned, investing in the region of £100 million and delivering around 500 fully accessible new homes specifically for older people to ensure our population ages well.

Our Rehousing Solutions Team provides specialist housing advice for older people to help them understand their housing options and support them towards tailored solutions. The aim will be to ensure that high quality advice and information about housing solutions for older people is available on the Council website, in hubs and through information sessions and events.

We want to ensure that older people have the right access to help, advice and support which is provided at the heart of their community. Our Community Hubs offer a wide range of services and activities to address the health and wellbeing of older people.

1.4.8 Modernising and Improving Our Services

New technology allows us to become more efficient, identify cost savings, while also providing a better customer experience for our tenants.

Phase 2 of Housing Online will extend current services to include Housing Applications. Our Responsive Repairs Unit will also undergo a full service review which will include online reporting and tracking of repairs.

Our teams now work in a more hybrid and flexible way. With the need for less Council offices, funding can instead be redirected to direct service delivery which will help to improve and enhance services to our tenants.

We will ensure that our tenants are consulted with and encouraged to participate in how we deliver these priorities over the coming year.

2.1 Rent Policy Framework

Whilst the responsibility for setting rents for dwellings rests with the Council, it is necessary to operate within a policy framework set by the Welsh Government (WG). A new five-year Social Housing Rent policy was introduced by the WG in 2020/21. This will run from 2020/21 to 2024/25 and allows for a maximum 1% rent increase above the rate of the consumer price index (CPI) using the level of CPI from the previous September each year.

However, the policy includes that should CPI fall outside the range of 0% to 3%, the Minister with responsibility for housing determines the appropriate changes to rent levels to be applied for that year only. As the September 2021 CPI was 3.1%, a ministerial decision was made that rents for 2022/23 are to be uplifted by a maximum 3.1%.

While CPI is the maximum increase allowable for 2022/3, the landlord decisions on rent must also consider the affordability of rents for tenants.

The new rent policy recognises the requirement to balance the needs of landlords with the interests of tenants and consequently includes a requirement that social landlords make an annual assessment of affordability and cost efficiencies which demonstrate that their homes and services represent value for money. This assessment is set out in section 4.

2.2 Council Policy for Social Housing Rents

In line with the above, it is proposed that rents increase by CPI for 2022/23. The average rent for a Council home in Cardiff will increase by £3.34 per week (£3.55 based on 49-week collection) exclusive of service charges for 2022/23. This results in an average weekly rent of £111.16 for standard housing stock.

It is considered that the rent uplifts proposed above for 2022/23 will allow for obligations to tenants and lenders to be met and help to support the financial viability of the Housing Revenue Account whilst ensuring that rents remain affordable for current and future tenants.

It should be noted that the Council will need to be able to set rents above CPI in the medium to long term in order for the longer-term business plan to be sustainable and to meet WG targets in respect to new build and WHQS.

The table below sets out the proposed average rent per property type for Cardiff for 2022/23.

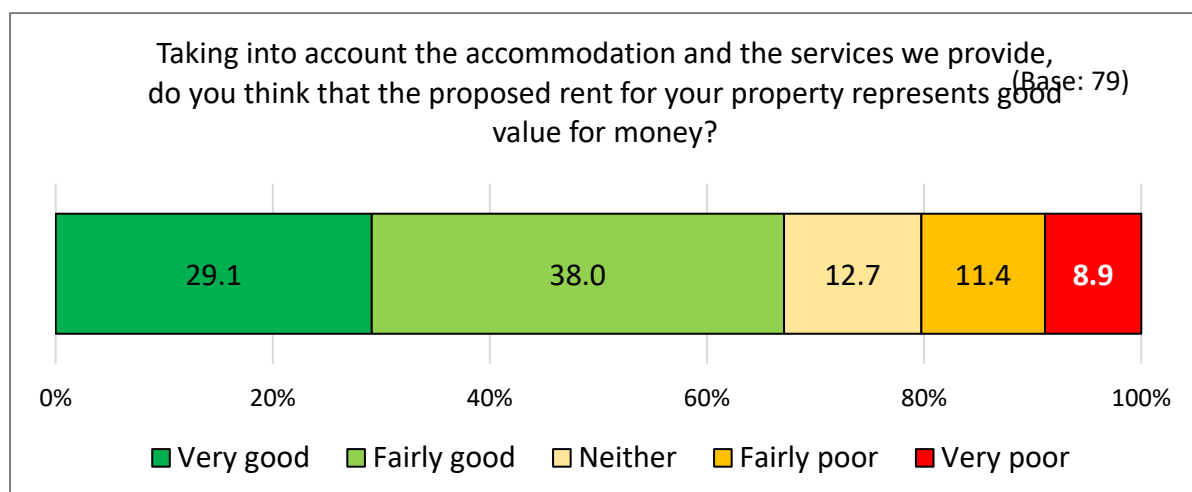
No. of Bedrooms	Estimated Average Rent 2022/23
1	£99.76
2	£114.94
3	£132.16
4	£146.53

2.3 Rent Increase Consultation

Consultation on the rent increase took place between 31st December 2021 and 28th January 2022. Due to the pandemic, the survey was carried out online and telephone assistance was offered if that was required. The survey was promoted over social media platforms such as Twitter and Facebook with a “link” to the survey via the Council website. Letters were also sent to 2,756 randomly selected individual tenants encouraging them to take part.

The online survey proved successful, resulting in more than a tenfold increase in the response compared to the previous year, with 83 responses received in total. It was also reassuring that most age groups took part in the survey. 28% of those who responded paid the whole of their rent themselves, with the remainder on full or partial benefits.

79 tenants answered the question about whether the rent was good value for money. 67.1% thought that the proposed rents were very good or fairly good value for money, while 20.3% thought they were poor or very poor value. 12.7% thought it was neither good nor poor value.



The majority of respondents (90%) stated they were not experiencing difficulties paying their rent. 10% stated they were, of which 8 specifically took up the offer of Council assistance. Referrals for these tenants were made to the Welfare Liaison Team who will support them to maximise their income and deal with any debt issues, including referrals to the new rent arrears pathway, if appropriate.

Tenants Satisfaction Survey

In addition to the rent consultation, a Tenant Satisfaction Survey was carried out between 21st October 2021 and 6th December 2021. 1,302 responses were received. In this wider survey almost four in five (78.1%) respondents were satisfied that their rent is value for money, this included 40.3% who were very satisfied. 59% of respondents were satisfied that their service charge provides value for money.

In terms of more general satisfaction, 74% of tenants were satisfied with the Council as their landlord.

74.7% of tenants who had used the repairs service in the past 12 months were satisfied with the service. 81% were happy that their property met their needs and 80% were satisfied with their local neighbourhood as a place to live.

Further information about the affordability of Council rents can be found in section 4.

3.1 Revenue Budget

The forecast financial position for the Housing Revenue Account for the financial years 2022/23 to 2026/27 is set out below:

	2022/23	2023/24	2024/25	2025/26	2026/27	
	£000	£000	£000	£000	£000	
Expenditure	Employees	23,481	24,470	25,178	25,922	26,704
	Premises - Council House Repairs	22,623	23,491	23,975	24,774	25,586
	Premises - Other Repairs & Maintenance	1,544	1,614	1,678	1,745	1,806
	Premises - Other Premises Costs	4,836	5,130	5,462	5,777	6,127
	Transport	152	159	166	174	181
	Supplies & Services	4,474	4,391	4,508	4,700	4,886
	Third Party Payments	494	511	526	542	558
	Support Services	7,222	7,527	7,786	8,054	8,313
	Capital Financing	29,239	31,793	36,293	40,361	41,667
	Contribution to reserves/General balances	250	250	0	0	250
Total Expenditure	94,315	99,336	105,572	112,049	116,078	
Resources	Rents and Service Charges	(87,783)	(92,648)	(98,243)	(103,482)	(108,971)
	Fees & Charges	(700)	(718)	(742)	(760)	(776)
	Contribution from reserves	0	0	(500)	(1,600)	0
	Other Income	(5,832)	(5,970)	(6,087)	(6,207)	(6,331)
	Total Resources	(94,315)	(99,336)	(105,572)	(112,049)	(116,078)

3.2 Key Assumptions

The table and narrative below set out the key assumptions within the model over the period.

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 Onwards
	%	%	%	%	%	%
CPI	3.1	3.5	3.0	3.0	2.5	2.0
General Inflation	4.1	4.5	4.0	4.0	3.5	3.0
Rent Uplifts (inclusive of CPI)	3.1	3.5	3.0	3.0	3.0	2.5
Bad debts	1.0	1.0	1.0	1.0	1.0	1.0
Void rents	2.01	2.01	2.01	2.01	2.01	2.01

Key assumptions and factors which make up the HRA revenue budget proposal and capital investment programme include the following items:

- Rent increases in line with WG guidelines taking account of forward indicators for inflation factors (CPI assumed at 3.1% for 2022/23, increasing to 3.5% for 2023/24 and reducing down to 2.5% by 2026/27)
- In the absence of an agreed pay award, 3% annual uplifts are included for 2022/23. Provision is also made for employers' National Insurance and Superannuation contributions, employee incremental pay progression as well as other full year impacts of the costed establishment including Apprenticeship levies and the Real Living Wage
- General inflation increases assumed at 4.1% for 2022/23 reducing to 3.5% by 2026/27 for non-employee budgets
- Drawdowns as required from earmarked reserves as a result of high inflationary cost increases and capital financing commitments in the short to medium term
- A £22.623 million budget has been set for Council Housing Repairs for 2022/23 reflecting the estimated requirements for both planned and responsive maintenance
- The direct revenue financing budget for capital expenditure assumes a contribution of £2.4 million p.a. in 2022/23 and in the long term
- Continued receipt from Welsh Government of Major Repairs Allowance grant of £9.5 million
- The budget is assumed to provide for the ongoing estimated impact of Welfare Reform under the Universal Credit scheme on rent income levels, additional costs of collection and recovery and bad debts provision and the potential impact on void allowances.
- Capital financing requirements reflect the increasing borrowing requirement proposed in the Capital Investment Programme
- Changes to fees and charges are set out in detail in Appendix 3b of the Council's overall budget proposals

3.3 Capital Investment Programme

		2022/23	2023/24	2024/25	2025/26	2026/27	Total	
		£000	£000	£000	£000	£000	£000	
Expenditure	Regeneration and Area Improvements	2,650	2,450	2,450	2,450	2,450	12,450	
	External and Internal Improvements	19,150	27,950	25,850	14,650	13,900	101,500	
	New Build and Acquisitions	49,810	77,500	74,485	49,155	34,000	284,950	
	Disabled Facilities Adaptations	3,000	3,350	3,350	3,350	3,350	16,400	
	Total Expenditure	74,610	111,250	106,135	69,605	53,700	415,300	
Resources	Major Repairs Allowance Grant	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(47,750)	11.5
	Additional Borrowing	(44,415)	(81,595)	(81,685)	(46,615)	(39,650)	(293,960)	70.8
	Direct Revenue Financing	(5,500)	(2,400)	(2,400)	(2,400)	(2,400)	(15,100)	3.6
	External funding estimates and conts	(10,545)	(12,705)	(9,000)	(6,040)	(2,100)	(40,390)	9.7
	Capital Receipts	(4,600)	(5,000)	(3,500)	(5,000)	0	(18,100)	4.4
	Total Resources	(74,610)	(111,250)	(106,135)	(69,605)	(53,700)	(415,300)	100

Expenditure commitments proposed over the next 5 years include the following:

- Continue to investment significantly in our existing housing stock to ensure we improve energy efficiency, are maintained to a high standard, continue to meet the Welsh Government quality standards and ensure all of our homes are warm, safe and secure
- Expand regeneration and area improvement projects aiming to create better and safer places to live by undertaking environmental works including defensible space, demolition, conversion and road/footpath realignment, energy efficiency schemes, improvements to flats, garages, gullies and open spaces
- Invest significantly in our house building programme to deliver more homes and help tackle some of the significant and specific challenges we face in the city including increased levels of homelessness, a need to ensure greater diversity of housing provision including to meet the needs of larger families, older persons, and for those with accessibility and medical needs and a lack of sufficiency in supported accommodation options for young people
- Deliver disabled adaptations to dwellings to help eligible tenants to live independently and improve their movement in and around the home.

The programme is reviewed annually in line with the 30-year HRA Business Plan.

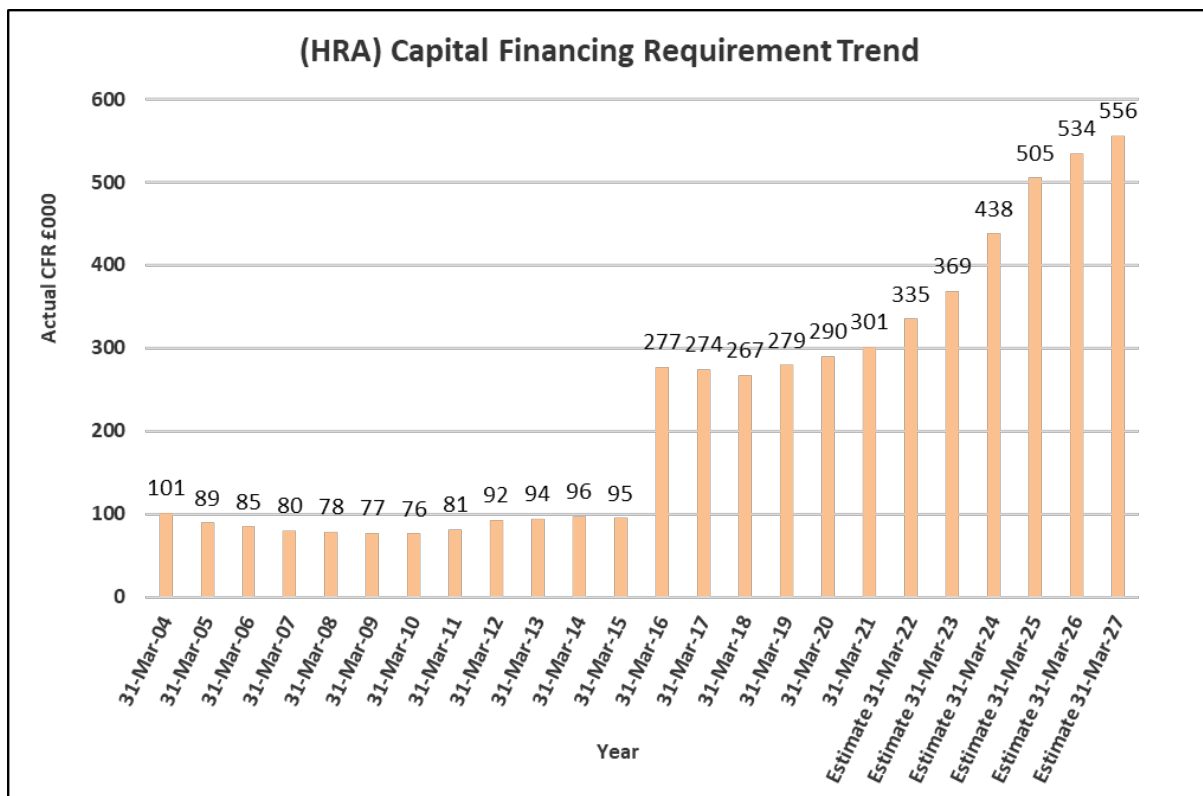
The capital expenditure commitments for the Housing Revenue Account proposed and incurred in the past highlight a significant need to borrow in order to invest in homes and to create new assets. This is demonstrated by the increase in what is termed the Capital Financing Requirement (CFR).

Where capital expenditure has been incurred without a resource to pay for it, this will increase the CFR which is the HRA's underlying need to borrow. A prudent provision is made for the repayment of historic capital expenditure from the revenue budget in line with an agreed policy. This reduces the CFR.

The calculation of the CFR is summarised in the table below.

Movement	Opening Capital Financing Requirement (CFR)
+	Capital expenditure incurred in year
-	Grants, contributions, reserves and receipts used for capital expenditure
-	Prudent Minimum Revenue Provision and Voluntary Provision
=	Closing Capital Financing Requirement (CFR)

The chart below shows the historic trend in the CFR for the Housing Revenue Account. This includes the £187 million payment made to HM Treasury to exit the subsidy system in 2015/16 and also the significant future capital investment proposed.



The revenue budget impact of capital schemes for rent payers includes:

- The costs of operating/maintaining new assets
- The capital financing costs of servicing any borrowing required to pay for investment (interest and the Council's approach to making prudent provision for repayment of capital investment paid for by borrowing)
- The revenue costs of preparing and delivering projects
- Abortive costs required to be charged to revenue budgets if schemes do not proceed.

Some or all costs of that investment may be offset by financial and non-financial benefits such as income, cost avoidance and, importantly, improved outcomes for rent payers.

The table below shows two ratios highlighting the impact of the increasing borrowing requirement on the net revenue stream (rental and service charge income for the year).

- Capital financing costs as a proportion of the net revenue stream - an increasing ratio indicates that a greater proportion of the HRA resources are required to meet capital financing costs over the period.
- HRA Capital Financing Requirement (Debt) as a ratio of the net revenue stream – this ratio shows the amount of debt proportionate to the net revenue stream and is an indicator of financial sustainability. It helps to explain the relationship of debt to the HRA resources available to deliver services.

	2011/12 Actual	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
HRA Capital Financing costs as a proportion of the Net Revenue Stream (%)	15.48	32.72	32.24	32.16	33.36	36.23	38.49	37.72
HRA Capital Financing Requirement as a ratio of Net Revenue Stream	2.24	3.78	4.13	4.43	4.97	5.39	5.41	5.35

4. Affordability and Value For Money

The WG Social Housing Rent Policy recognises the need to balance the needs of landlords and the interest of tenants. The policy includes a requirement that social landlords make an annual assessment of affordability, cost efficiencies and demonstrate that their homes and services represent value for money.

4.1 Affordability

The Welsh Government have made clear that affordability should include all costs of living in a property including rent, service charges and energy costs. A review has therefore been carried out of the affordability of living in a Council property in Cardiff.

The review used the Joseph Rowntree Living Rent Model which states that a rent should be affordable for a household with someone in full-time employment and earning around the National Living Wage. The model uses the earnings of the lower quartile of earners resident in Cardiff and assumes that 28% of income is available to pay rent and is adjusted for the size of the household.

The review indicated that Council rents are affordable when compared to the Joseph Roundtree Living Rents.

4.2 Comparative Rent levels

As set out above, an uplift of CPI at 3.1% would result in an average rent increase of £3.34 and an average weekly rent of £111.16. The table below shows average gross rents including service charges.

Council rents are below the Local Housing Allowance (LHA) rates for Cardiff, and well below market rents. It is estimated that private tenants claiming benefits are paying on average £43 per week above LHA levels.

No. of Bedrooms	Market Rent	Local Housing Allowance Rate 2021/22	Current Average Rent 2021/22	Estimated Average Rent 2022/23
1	£150.00	£120.82	£96.76	£99.76
2	£189.00	£149.59	£111.48	£114.94
3	£241.00	£178.36	£128.18	£132.16
4	£313.00	£218.63	£142.13	£146.53

Council rents are broadly aligned with the rents of other social landlords in Cardiff, with rents for some property types, including one bed flats, being considerably lower than housing association rents.

It is clear that Council rents are considerably more affordable than private sector rents.

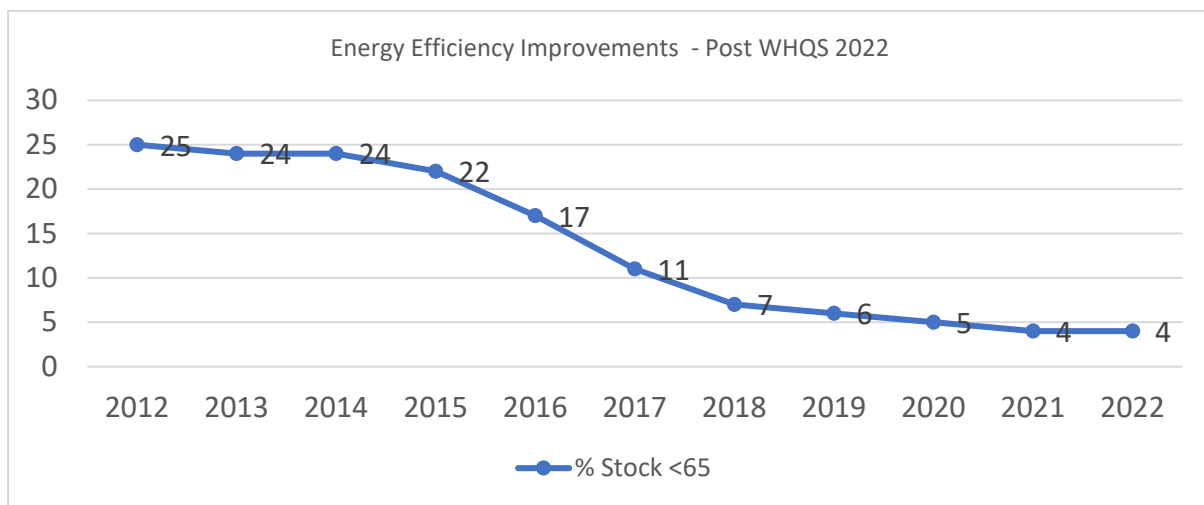
4. Affordability and Value For Money

4.3 Energy Costs

Existing council homes exceed the energy efficiency requirements as set out in the Welsh Housing Quality Standard (WHQS) guidance.

The Standard states “the annual energy consumption for space and water heating must be estimated using the Governments Standard Assessment Procedure for Energy Rating of Dwelling (SAP 2005) method. A minimum of 65 out of 100 must be achieved”. The current average SAP rating for the Council’s 13,776 properties is 72.

The Council has worked to continually improve SAP levels in all its stock and the graph below shows how the number of poor performing properties has reduced since 2012 with only 4% now below the required standard.



Every effort is being made to improve energy efficiency where possible, including increasing the amount of loft and wall insulation and by installing more efficient heating systems. “A” rated energy efficient boilers have been fitted to 99% of all council properties. Moving forward, the service intends to pilot the retrofitting of renewable energy sources such as solar panels and external wall insulation which will dovetail with the Council’s ‘One Planet’ Agenda to decarbonise the city by 2030.

A ‘Cardiff standard’ has been set for all council new builds which requires a fabric first approach to delivering energy efficient homes. This means that the external fabric of the building is as effective as possible in reducing heat loss, thereby reducing bills and helping to tackle fuel poverty.

We are delivering this at scale:

- Our first modular development of 9 family homes has been completed and handed over at Crofts Street. The scheme has been certified as ‘Climate Positive’ which means it is better than ‘Net-Zero Carbon’. All the homes have solar panels and battery storage and use no fossil fuels to provide heating.
- The homes are extremely energy efficient, meaning that less power is needed to heat them. They were also our first modular scheme and took less than 6 months to complete from starting on site – this is fantastic as it means we get our new energy efficient homes more quickly than traditional building methods.

4. Affordability and Value For Money

- Our largest modular pilot project delivering 48 flats for homeless families at the former Gasworks site in Grangetown is set to be completed in March 2022 and provides safe, warm and secure temporary accommodation for homeless families and provides on-site support. All the flats comply to the PassivHaus standard which ensures that they are very efficient to run and minimise carbon emissions. Solar panels and air source heat pumps have been utilised for every new home.
- Our development of 214 new homes for council rent and for sale is well underway at the former Rumney high school site. This scheme being delivered through our award-winning Cardiff Living programme with Wates and delivers a low-carbon development at scale. Every home has a ground source heat pump, solar panel and battery storage and an EV charging point. Each home is predicted to be at least 85% more efficient than a home built to the current building regulations which is only good news for our tenants and the environment.
- Finally, our fully compliant Passivhaus scheme being built at Highfields in the Heath is well underway and due to be completed in August 2022. The scheme will deliver 42 new council homes all built to extremely energy efficient PassivHaus standard.

4.4 Value for Money

Value for Money is achieved by focusing on key priorities in the pursuit of social objectives that benefit a range of stakeholders/service users and delivering these priorities in an effective and efficient way. Cardiff aims to achieve this in the following ways:

- Maintaining homes to a high standard
- Building new homes
- Delivering a high standard of tenancy services
- Community investment such as work to increase employability, financial, digital and social inclusion
- Meeting the housing needs of the most vulnerable
- Preventing evictions
- Supporting people to live independently
- Supporting national and local policy objectives

We recognise that tenants have a right to expect good value for rents and to obtain maximum impact from available resources. We consult service users when setting rents and charges to get the balance right between service costs, service levels, priorities for investment, the need for new homes and affordability.

In order to continue to demonstrate value for money, during 2022/23 and in future years, the Council will undertake the following:

- Review all costs to reflect activity and value for money

4. Affordability and Value For Money

- Increase the use of digital services to reduce costs and provide a better customer experience whilst still offering tailored, 1-2-1 support for those that need it
- Seek opportunities to undertake external benchmarking and self-assessment with peers
- Continue to follow the Council's best practice in relation to procurement of goods and services
- Secure maximum value from assets through an understanding of stock and making intelligent (social) business decisions based on that understanding.

This will necessitate an understanding of:

- The condition of stock
- Maintenance costs and investment needs
- Demand within our communities
- Performance of the stock at an appropriate and proportionate level of detail
- Variation in performance across the stock
- Priorities for improvement

A range of high-quality services are provided to council tenants including a dedicated Welfare Liaison Team to maximise income and prevent arrears and a Tenancy Sustainment service supports more vulnerable tenants.

The clear aim of the housing service is to prevent unnecessary legal action and evictions. A wide range of additional services are also available locally through the Hubs, including Into Work help and support.

4.5 Cost Efficiencies

In 2019/20, the service commenced a review of spend and costs, to ensure that good value for money is being achieved. The review indicated a number of areas where efficiencies could be made, including the level of repairs carried out on void properties and recharges from other services.

There are plans for a further review of responsive repairs. Digitalisation of services where appropriate will not only deliver a quicker, better customer service experience but will also reduce costs.

It is planned that this work will be continued into 2022/23 with an ongoing review of all costs and overheads.

4.6. Financial Resilience

As well as recurring financial risks, the Council has embarked on a £800 million new build programme to meet the housing needs of current and future generations. This creates a number of additional risks to financial resilience which need to be monitored and managed closely.

The Council will do this by:

4. Affordability and Value For Money

- Ensuring that a HRA General balance is maintained at a prudent level
- Creating specific earmarked reserves to mitigate against increasing and unforeseen costs in respect to the new build programme such as the price of materials, uncertain rent policy in the medium / long term
- Annually updating and submitting to the WG for approval a 30-year business plan which considers revenue and capital expenditure plans over the longer period
- Continue to liaise and consult with the WG on future rent policy highlighting the importance of ensuring that capital commitments currently being entered into remain affordable
- Ensuring strong asset management practices and understanding of the condition of existing stock
- Continuing to develop indicators to support assessment of financial resilience including prudential borrowing indicators
- Maintaining a prudent approach to repayment of capital expenditure
- Regular monitoring and review of expenditure against approved budgets at a senior management level
- Compliance with the terms of reference set by the Housing Development and Capital Finance Board in respect to approval or changes in sites proposed for new housing development including viability assessments.

5. Key Risks and Uncertainties

5.1 Key Risks and Uncertainties

Key risks and uncertainties which could impact on the budget proposals for 2022/23 and the medium term include, but are not limited to, the following:

Risk Description	Impact	Pre-Mitigation Risk Analysis	Mitigating Controls	Post Mitigation
Restricted rent uplift in future years due to changes to the rent policy beyond 2024/25 or to levels of CPI	Potential impact on level and quality of service provision to tenants and capital schemes that can be taken forward. Impact of affordability, prudence and sustainability of additional borrowing. Impact on local and national affordable housing targets.	Red	Review and prioritise revenue operating costs to identify savings Consider and budget for use of earmarked reserves and general balances to support financial resilience Review and reprioritisation of the Capital Programme and realignment where feasible of future spend plans Continue to liaise and consult with the WG on future rent policy highlighting the importance of ensuring that capital commitments currently being entered into remain affordable. Reduce new build development programme where other capital realignment is not possible	Red
Cost inflation increase above rent uplifts	Increase in costs of supervision, management and repairs and maintenance, including capital contracts	Amber	Use of earmarked reserves. Review and reprioritise revenue operating costs and consider a reduction in planned expenditure including within the Capital Programme where any variations to planned spend are feasible/not committed	Green
A reduction in the (£9.5m per annum) WG Major Repairs Allowance (MRA) grant	Impact on the achievability of the Capital Programme	Red	Review and reprioritisation of the Capital Programme allowing for committed spend but realigning future spend plans Reduce new build development programme where other realignment is not possible	Amber

5. Key Risks and Uncertainties

Impact of Welfare Reform and Universal Credit	Impact on tenants' ability to pay rent, resulting in increased rent arrears, requirement for bad debt provision and increased debt collection and recovery costs Increased requirement for tenant support and advice services	Amber	Understanding of the Welfare Reform regime and risks. Information and advice to tenants, for example through Into Work Services Promotion of available benefits and specific support e.g. the Hardship Fund and Discretionary Housing Payments grant, rent rescue schemes Regular review of rent arrears and bad debts provision requirement	Amber/Green
Impact of Covid 19	Impact of Covid 19 on tenants' ability to pay rent, resulting in increased rent arrears, requirement for bad debt provision and increased debt collection and recovery costs	Amber	Information and advice to tenants, for example through Into Work Services. Maximisation of funding for promotion of available benefits and specific support Introduction of the rent arrears pathway Regular review of bad debts provision	Green
Impact of Brexit	Shortage of materials and contractor supply and cost inflation of materials due to increased bureaucracy and uncertainty	Amber	Use of earmarked reserves to cover short term increase in costs Maintain communication channels with suppliers and contractors including seeking alternative sources of supply Develop a pool of small contractors to increase capacity Embrace post-Brexit procurement opportunities to ensure regime is simple, efficient and delivers greater value for money	Amber / Green
Failure to meet new build housing programme targets resulting in delays to timing of lettings of new build properties	Non achievement of Capital Ambition targets. Failure to reduce housing waiting list and impact on temporary accommodation and homelessness Holding costs of vacant sites and revenue costs of development teams Reduction in rental income receivable and resources	Red	Contractual commitments are closely monitored by the Housing Development and Capital Finance Board. Individual project viability is reviewed at key stages of the scheme development Ongoing review of new build programme development and resources required	Amber

5. Key Risks and Uncertainties

	available to support the HRA budget			
Treasury Management	Increased costs of interest and prudent repayment of any borrowing undertaken to pay for capital expenditure proposed in the HRA Capital programme	Red	Integrated Council wide Treasury Management policies and strategy Regular reporting in line with best practice Review of programme in line with affordability and government policy changes such as rent Setting a prudent approach to repayment of debt and identification of revenue resources to support financial resilience This all allows the Council to respond to issues quickly and appropriately	Amber
Challenge of Decarbonisation	Failure to plan and invest strategically in order to meet carbon reduction targets could result in failure to meet WG target Impact on tenants' energy costs The requirement to meet the cost of decarbonisation without additional funding will impact on other spend – could reduce borrowing capacity and reduce funds available for new build	Red/Amber	Work closely with WG to understand key requirements, targets, delivery methods and costs Identification of available funding to support targets Plans in place to pilot renewable technology in order to meet the challenge	Amber

Review and monitoring of the financial and wider risks identified for the Housing Revenue Account takes place as part of the Directorate's risk identification and monitoring process.

HRA risks are considered within the Directorate Operational Risk Register which is reviewed and updated quarterly.

The development and progress of the New Build programme is reported to and monitored at the Housing Development and Capital Finance Board which meets bi-monthly. The revenue and capital financial position is considered as part of regular monthly monitoring and reporting processes.

5.2 Sensitivity Analysis

The assumptions as detailed within 3.2 above are based on best information and will be subject to a risk of change. The table below sets out key areas of sensitivity and their potential annual impact based on the financial year 2022/23.

This is on the assumption that all other factors remain constant and no mitigation/offsetting actions are in place. In reality, as set out within the Risk Matrix table at 5.1 above this would need to take the form of numerous and varied measures to ensure a viable financial position.

KEY ASSUMPTION 2022/23	REVISED ASSUMPTION/ CHANGE	FINANCIAL IMPACT £'000	SERVICE IMPACT
CPI 3.1%	CPI 2.6%	+385	A 0.5% reduction in the level of CPI to 2.6% reduces rental income and available revenue resources impacting the flexibility in service provision and ability to meet tenant priorities
Employers' Pay Award 3%	Employers' Pay Award 4%	+327	A higher pay award at 4% results in an increased funding requirement reducing the flexibility to progress other plans and priorities
Bad debt provision 1%	Bad debt provision 1.5%	+397	An increase of 0.5% in the bad debt provision would result in an increased funding requirement reducing flexibility within revenue resources
Void rent loss 2%	Void rent loss 3%	+783	An increase in the void rent loss by 1% to 3% impacts on rental income generated and the resources available to fund planned programmes of investment and service provision