

HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN

HOUSING AND COMMUNITIES (COUNCILLOR LYNDA THORNE)

AGENDA ITEM: 12

Reason for this Report

1. To seek Cabinet approval for the Housing Revenue Account (HRA) Business Plan 2022-2023.

Background

2. All Local Authorities in Wales have the responsibility to plan for the housing needs of their population in their role as a Strategic Housing Authority. However only 11 of the 22 authorities in Wales have retained their council housing stock and consequently play a role in the direct delivery of affordable, good quality homes as a social housing landlord.
3. The Council's landlord functions are managed within a ring-fenced Housing Revenue Account.
4. The 11 stock retaining 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) in order to be eligible for the Major Repairs Allowance (MRA) Grant (currently £9.5m).
5. The Plan must conform to a structure and Business Plan parameters as set out by the Welsh Government.
6. This plan also links with the Corporate Plan and Directorate Delivery Plan.

Issues

Housing Revenue Account Business Plan

7. The HRA Business Plan attached in appendix 1 aims to;
 - set out Cardiff's purpose and vision as a social housing landlord;

- set out its objectives and standards for the service;
 - plan how the service aims to 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.
 - identify the estimated stock and management needs over a 30 year period, against forecast resources to demonstrate that the Housing Revenue Account remains viable over that period.
 - Detail our development programme, which will deliver in excess of 4,000 new homes over the next 10 years.
8. The Business Plan ensures;
- efficient use of housing assets;
 - increased transparency of the HRA;
 - precise planning of the Council's housing management strategy;
9. The Welsh Government has introduced a five year rent policy which provides for a maximum annual uplift of CPI +1% each year from 2020-21 to 2024-25 using the level of CPI from the previous September each year. The September 2021 CPI was 3.1%. – this was just outside the Welsh Government maximum figure of 3% allowed under the five year rent policy and therefore required a Ministerial decision. The Minister determined the maximum annual uplift would be 3.1%, but landlord decisions on rent must also take into account the affordability of rents for tenants.
10. In line with the above policy, it is proposed to increase rents by the full amount allowed of 3.1% (September 2021 CPI) for 2022. The average rent for a Council home in Cardiff will increase by £3.34 per week (£3.55 based on the 49 week collection) exclusive of service charges for 2022/23. This results in an average weekly rent of £111.16 for standard housing stock. This approach was agreed at Cabinet on the 24th February 2022 following consideration of the affordability and value for money of council rents. Cardiff Council rents have been compared against the Joseph Rowntree Foundation (JRF) Living Rent model. This model links rents directly to an index of earnings and uses a recognised equivalence scale to allow for household income and property size to produce a Living Rent which should not be more than 28% of the adjusted earnings. In comparison to the Living Rent model, overall, Cardiff rents fall within an affordable level.
11. It is considered that the rent uplifts proposed above 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. This level of

increase will also allow for the continuation of the Council's ambitious new build plans.

Key Objectives

12. The Business Plan sets out a number of key objectives that align clearly with the Council's Capital Ambition and with the Welsh Government's strategic direction. A summary of these objectives is set out below:

Building new council homes

13. Cardiff Council set a target to deliver 1,000 new homes by December 2022. We are currently on course to achieve this. To address significant levels of housing need in the city including overcrowding, we are now expanding our programme significantly. We have implemented an ambitious development programme which will deliver in excess of 4,000 new homes over the next 8 years. At least 2,800 of these will be council homes and 1,200 for sale. Our new build ambitions will see an increase in our total housing stock of 20.3% The award-winning programme currently represents one of the largest council housing build projects in Wales and will see over £800 million invested into delivering affordable homes at scale and pace.
14. As of February 2022 the new build programme has delivered 806 homes of all tenures which includes 613 council homes and 193 homes for sale. A further 522 homes are currently being built on site, 506 homes with planning consent in place and a further 1,729 homes in the pipeline. The programme currently includes 59 confirmed sites which combined have the capability of delivering around 3,600 new homes in total. We continue to assess new sites to ensure that the longer-term target of 4,000 new homes can be achieved.
15. The programme is reliant on a significant Housing Revenue Account (HRA) Capital budget allocation. External income towards costs is also available in the form of planning gain, external grants and income from the sale of properties for private ownership or through the First Homes Cardiff scheme. To date income of just under £31 million has been achieved through these routes, including the award of 5 Welsh Government Innovative Housing programme grants.
16. From April 2021 onwards, the council has been able to apply for Welsh Government Social Housing Grant providing a further Capital subsidy. Schemes approved for SHG funding are required to meet the standards and viability parameters set by Welsh Government. The Council has recently had an in-principle SHG award of £27 million over the next 5 years.

Investing in existing homes

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

18. Following the completion of the WHQS for existing council housing, the Business Plan ensures the maintenance of the WHQS and sets out the Council's objective to deliver high quality and sustainable housing. The individual component details of every council property are held on a stock condition database which includes dates of installation or upgrade with associated component lifespan. This enables planned programmes of work to be developed for future works and the setting aside of sufficient financial budgets.
19. During 2022/23 more than £19m will be invested in improvements to our existing homes, including an extensive kitchen and bathroom programme, roof replacements and new doors and windows. The programme includes extensive fire safety works including the fitting of sprinkler systems in our high-rise flats and fire doors to flats, communal landings and stairwells.
20. Recladding of 3 high- rise blocks at Lydstep flats in Llandaff North will commence in March 2022 and this will also include new windows and balconies. The proposed second phase of this programme includes replacement of cladding at Nelson House and Loudoun House in Butetown.
21. Repairs to our homes are carried out by our Responsive Repairs Unit. The pandemic has put pressure on this service, both due to periods of lockdown and the need for both tenants and operatives to self-isolate. This has resulted in delays in service.
22. A significant programme of change is planned to the repairs service in the coming year. This includes the employment of additional maintenance persons to complete minor jobs, freeing our skilled tradespeople to carry out more complex work and to ensure a more rapid response for tenants. A new Repairs Academy will ensure that we are training the operatives of the future and our Repairs Online project will introduce a new web-based portal to allow tenants to track their repair online.
23. The Business Plan also sets out how Cardiff Council will address fire safety issues. The Golden Thread or Welsh Fire Building Safety Passport is intended to provide all the information on how to keep a building safe. The document contains everything from building drawings, construction techniques, materials used and how the building has been designed. These details are being completed for any new buildings at present and retrospectively completed on our existing high-rise buildings. This work will be ongoing throughout 2022/23.

Preventing homelessness and supporting rapid rehousing

24. Supporting the Council's strategic aim to prevent homelessness and where it occurs to make it rare, brief and not repeated, we will work with our partners to pilot a rapid rehousing approach to support homeless people into permanent accommodation quickly. We will continue the

development of our supported accommodation with the second of our family homelessness centres, the Gasworks Site, due to open in the spring. The first phase of the Adams Court supported accommodation scheme for single homeless people will be finished in the spring with the second phase to follow by the autumn / winter of 2022.

Promoting safe and inclusive communities

25. The Local Action Team works to improve neighbourhoods through a comprehensive estate management service. The aim in the coming year will be to extend the areas covered by the service and to work alongside tenants and residents to increase participation, introducing “street champions” and supporting gardening clubs. Our Estate Regeneration Programme will see schemes delivered in Trowbridge Green, Trowbridge, Pentwyn and Ely during 2022. Other smaller scale projects are planned throughout the city and include defensible space enhancements, boundary walls, on-plot parking better lighting, improved footpaths and gulley closures. While the garage improvement programme is continuing to be rolled out across the city.
26. The transformational Channel View regeneration project achieved planning consent in December 2022 and work will begin on the first phase of this £85 million regeneration project in spring 2022. The scheme will deliver around 350 sustainable, low carbon homes for the local community and well as investing significantly in the local area and the Marl park.

Providing warm sustainable homes and moving towards zero carbon

27. We are responding to the ‘One Planet Cardiff’ strategy both by improving the energy efficiency of our existing homes and developing high quality sustainable new homes.
28. We work to continually improve the Energy Performance rating of all our stock, with 96% of homes above the existing WG standard of SAP 65. The average for our homes is 72; the Wales national average is 61. The plan includes ongoing programmes of work rolling out loft and cavity wall insulation across the city with an initial plan to increase the SAP value of our properties to 75 on average.
29. Plans are in place to retrofit cladding and to fit photovoltaic panels to all remaining low-rise blocks of flats. Costs of phase 1 of this project have been included in the Business Plan. In the future, alternative energy heating such as ground or air source heat pumps will also be used.
30. We are moving towards Net Zero Carbon housing development by utilising on-site renewable technologies and sustainable forms of construction such as Passivhaus or enhanced building fabric. This approach helps to reduce the carbon impact of the development programme and significantly reduce heating and power bills for tenants. A number of our projects are leading the way in low-carbon building and creating sustainable communities. The Passivhaus scheme on site at

Highfields in Heath will deliver 42 new council homes all to the Passivhaus standard. This means that all the new homes are highly energy efficient, reducing carbon emissions and ensuring heating bills for tenants are extremely low.

31. A development of 214 new homes at the former Rumney high school site achieves an impressive low-carbon standard. Every home has ground source heat pumps, solar PV and battery storage as well as a highly performing building fabric and electric vehicle charging points. The homes are predicted to be 90% more energy efficient than homes built to current building regulations.

Supporting our tenants

32. Providing advice and information to tenants is a key focus of the Business Plan. Community Hubs are designed to bring together services, share resources and enable integrated investment in better quality facilities. Services delivered through the Community Hubs are responsive to the needs and priorities of individual neighbourhoods with housing services being a key component. We are working with University Health Board to expand our Hub at the Powerhouse in Llanedeyrn to include a range of health services.
33. A Welfare Liaison Team is in place to assist and advise tenants with debt management and budgeting, minimising the impact of Welfare Reform and the cost of living crisis as far as possible. Advice and Into Work assistance is available through the Advice Line, website and in the Hubs and tenants are able to access free work skills accredited training through Adult Learning. The Tenancy Sustainment team ensures that tenants receive the additional help they need to maintain their tenancies and prevent unnecessary evictions.

Support for Families and Young People

34. The Business plan includes a commitment to tackling overcrowding and proposes to use innovative ways to extend existing buildings and support larger families. The Young Persons Accommodation and Support Gateway helps care experienced and homeless young people to move successfully on to independence. There is a 99% success rate for young people through our Training Tenancies pathway. It is proposed to extend the scheme during 2022/23.
35. The Plan continues our commitment to the delivery of Community Benefits in partnership with our external building contractors. This includes the delivery of apprenticeships for people living in Cardiff and the volunteering of staff time. The development of a new in-house Repairs Academy will provide a clear pathway for young people to learn trades through an apprenticeship or traineeship, addressing a growing skills shortage. Also, the Onsite Construction Academy is a training, experience and employment programme delivered by the Into Work Advice Service, working with partners, Further Education colleges and employers to deliver training programmes and source work experience,

employment and apprenticeship opportunities for job seekers and construction diploma students.

Supporting Older People

36. The plan includes a commitment to improve the housing advice available to older people through our Rehousing Solutions team and to continue with the upgrade of our existing Community Living Schemes. There are also exciting proposals for additional care-ready flats for older people. Two new Community Living projects at Maelfa and St. Mellons will provide over 100 new older person flats alongside a wide range of communal facilities focused on promoting independent living and helping to tackle social isolation. Community Living projects at Riverside/Canton and Bute Street have been approved through planning – both these schemes will commence on site late 2022 and will deliver over 80 flats. The Channel View development will also include both Community Living and Independent Living accommodation to replace the high rise block.

Consultation

37. A tenants survey was conducted during 2022/23 and 1,302 surveys were completed. The survey found that 81% were happy that their property met their needs. 80% were satisfied with their local neighbourhood as a place to live. 78% were satisfied that their rent provided value for money, 74% were satisfied with Cardiff Council as their landlord and 75% who used the repair service in the past 12 months were satisfied with the service. Comments from the survey will be used to inform service development over the coming year.

Scrutiny

38. The draft HRA Business Plan will be presented at Communities and Adult Services Scrutiny Committee on 9th March 2022. Any comments received will be circulated at the Cabinet meeting.

Reason for Recommendations

39. To comply with the requirement to present the HRA Business Plan to the Welsh Government.

Financial Implications

40. The annual update of a Housing Revenue Account (HRA) Business Plan is a requirement of application for the Major Repairs Allowance grant (MRA) from Welsh Government and is also a best practice tool used by all local authorities and RSL's to set out aspirations, determine tenant and housing need priorities and secure affordability and value for money for rent payers.
41. The Business Plan is underpinned by a thirty year financial model which sets out estimates of planned Capital and Revenue income and expenditure over the period. This model is intended to be used as a

planning and modelling tool forming the basis of the HRA business, to safeguard the interests of current and future tenants and other service users and to demonstrate the long-term value for money and sustainability of the HRA. Any financial deficit and liabilities of the HRA are ultimately liabilities of the Council.

42. Given the length of the planning period, assumptions can only be robust in the very near term. Short, medium and longer term assumptions are based on a number of judgements and assumptions, particularly in respect of expenditure forecasts, timing of expenditure, interest rates, projected income levels and prices of goods and services. This results in a level of uncertainty and hence risk to the key variables in the model.
43. In particular, there is no certainty with regard to rent uplifts post the current WG rent policy and hence limited control over the level of income. Should tighter controls be placed on rent policy, the level of commitments in respect to capital expenditure and financing costs would have a significant impact on the service delivery of the HRA.
44. These risks and assumptions are made even more difficult given the uncertainty in respect to inflation, impact of the pandemic and supply chain issues. Accordingly, these assumptions are extremely sensitive to change, with the business plan including a sensitivity of key variables.
45. The Business plan assumptions include:
 - Rent increases in line with the Welsh Government Social Housing Rent policy through to 2024/25 and 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 3% by 2024/25)
 - Following the end of the current rent policy term, it is assumed that the rent bands remain and that rent uplifts are based on CPI only where CPI is up to 3% or at CPI +0.5% where CPI is below 3% – this is considered a prudent approach
 - Service charges are increased for future years in line with inflation for full cost recovery
 - Void rent loss projections are assumed at 2.01% throughout the model
 - Bad debts are assumed to be managed at 1% over the life of the plan taking into account the potential impact of Welfare Reform and the transfer to Universal Credit but also the various rent rescue and support services available to tenants.
 - Consumer and retail price indexes are estimated to be within a range of 4.1% and 3% throughout the model
 - The Welsh Government Major Repairs Allowance receivable is assumed to remain at previous levels of £9.5 million per annum.
46. The Capital Investment Programme assumes a significant increase in additional borrowing to build new housing, investment in disabled adaptations and to support investment in the existing stock. This will result in additional revenue implications in terms of interest payments

and provision of repayment for borrowing, with a significant increase in the Capital Financing Budget over the medium to long term. It is essential that the Capital Investment Programme is based on deliverability and a sound understanding and modelling of the condition of existing housing stock to ensure all future requirements are captured as part of a robust and regularly reviewed asset management and condition plan.

47. Affordability of additional borrowing is considered as part of the budget including consideration of prudential indicators.
48. Where capital investment is proposed, this must be based on informed criteria, including viability or payback assessments. This is essential to demonstrate value for money, effective use of rent payer funds and to mitigate against future risks to the affordability and viability of the HRA. There should be a robust governance process that sets out the requirements and approval of investment proposals at agreed stages, reviews costs before they are incurred and as projects progress as well as the effectiveness of delivery of targets. Value for money should be assessed against set benchmarks and to ensure investment is repaid over a prudent period having regard to future rent payers. The effectiveness of that governance should be reviewed and assessed regularly.
49. Consideration will be given to bringing forward future year's budget to allow flexibility to acquire sites and buildings at an earlier stage as part of the overall programme. This must only be after consideration of viability and affordability and relevant governance processes.
50. Given the significant uncertainties and risks included in the financial modelling, the Business Plan includes a risk assessment setting out a number of key variables and any changes in these are likely to necessitate a review of priorities both in terms of capital investment and for revenue budgets. A robust risk review and monitoring process should be set in place to review the HRA risk register specifically and any emerging issues that could impact on the viability of the HRA. This is to ensure that the level and quality of service provision to tenants is not affected and that the HRA continues to be viable. Where necessary, mitigating actions will need to be taken including reducing revenue costs or reviewing plans for new build affordable housing programmes and other capital expenditure aspirations.

Legal Implications

51. The report recommends approval of a business plan. There are no direct legal implications but the requirement for a plan is set out in the body of the report. Some general legal implications have been set out below.

General

52. The report and business plan refers to a number of proposals. Legal advice should be sought on specific proposals as and when required and

prior to implementation. Any proposals should be carried out in accordance with any relevant legislation and the council's constitution.

53. The decision maker should be satisfied that the proposal is in accordance within the financial and budgetary policy. The decision maker should also have regard to, when making its decision, to the Council's wider obligations under the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.
54. The report makes reference to the fact that some proposals are subject to receipt of grant money. The client department will need to be satisfied that the Council can comply with any grant conditions attached to the funding.

Equality Duty.

55. In considering this matter, the Council must have regard to its public sector equality duties under the Equality Act 2010 (including specific Welsh public sector duties). This means the Council must give due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief.
56. When taking strategic decisions, the Council also has a statutory duty to have due regard to the need to reduce inequalities of outcome resulting from socio-economic disadvantage ('the Socio-Economic Duty' imposed under section 1 of the Equality Act 2010). In considering this, the Council must take into account the statutory guidance issued by the Welsh Ministers (WG42004 A More Equal Wales The Socio-economic Duty Equality Act 2010 (gov.wales) and must be able to demonstrate how it has discharged its duty.
57. An Equalities Impact Assessment aims to identify the equalities implications of the proposed decision, including inequalities arising from socio-economic disadvantage, and due regard should be given to the outcomes of the Equalities Impact Assessment (Appendix 2).

Well Being of Future Generations (Wales) Act 2015

58. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.
59. In discharging its duties under the Act, the Council has set and published well being objectives designed to maximise its contribution to achieving the national well being goals. The well being objectives are set out in Cardiff's Corporate Plan 2021-24. When exercising its functions, the

Council is required to take all reasonable steps to meet its well being objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the well being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.

60. The well being duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrated approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

61. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

HR Implications

62. There are no HR implications for this report.

Property Implications

63. The acquisition and disposal of property is integral to the HRA implementation plan. As set out in the Corporate Property Strategy 2021-26, it is vital Economic Development and People and Communities have effective business processes in place to identify and secure suitable sites that meet the HRA objectives.

64. It will remain critical to align the objectives of the HRA land requirement with the SOP programme and any other established strategic land and property relevant programmes to ensure all opportunities for site acquisition are considered. All Council land declared surplus to service requirements will be assessed for HRA consideration through the agreed asset management processes.

65. The HRA programme is a key component of the Council's Capital Receipts targets, with land appropriations from the general fund comprising a sizable component of each Annual Property Plan. It will be necessary for Economic Development and People and Communities to

engage in regular review of the programme to manage transactional matters such as valuations and timescales.

RECOMMENDATIONS

Cabinet is recommended to approve the Housing Revenue Account (HRA) Business Plan - 2022-2023 for presentation to Welsh Government.

SENIOR RESPONSIBLE OFFICER	Sarah McGill Corporate Director People & Communities
	4 March 2022

The following appendices are attached:

Appendix 1 - HRA Business Plan 2022-2023
Appendix 2 - Equality Impact Assessment

The following background papers have been taken into account

- 30 Year Business Plan for Welsh Housing Revenue Accounts - Financial Model