
HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN 2023-24

Appendix 3 to this report is exempt from publication as it contains information of the kind described in paragraphs 14 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act

Purpose of Report

1. To provide background information to enable Members to carry out pre-decision scrutiny of the Housing Revenue Account (HRA) Business Plan 2023-24, and the request for Cabinet to approve the restructure the Housing Development and Neighbourhood Regeneration team; resulting in the of the creation of an Assistant Director post.
2. A copy of the draft Cabinet Report is attached at **Appendix A**, which in turn contains:

Appendix 1; the HRA Business Plan 2023-24. The Business Plan also contains the following appendices:

- *Appendix A HRA Revenue and Capital Budgets*
- *Appendix B HRA Revenue Assumptions*
- *Appendix C Risk Matrix*
- *Appendix D Sensitivity Analysis*
- *Appendix E HRA Business Plan 30-year Budget Forecast*

Appendix 2; the HRA Equality Impact Assessment

Appendix 3; HRA 5 Year Capital Programme – *confidential*

Appendix 4; Presentation which will be provided to committee Members at the meeting.

Scope of Scrutiny

3. Committee Members are to note there are two aspects of the Cabinet Report; to consider the council's management of the Housing Revenue Account and the proposal to create an Assistant Director Post due to an expanding housing development and regeneration agenda.

4. Within their considerations Committee Members should consider if the Business Plan:
 - Sets out the council's purpose and vision as a social housing landlord;
 - Sets out the council's objectives and standards for the service;
 - Adequately plans how the service aims to achieve the objectives and standards set out;
 - Sufficiently plans resource and financial requirements;
 - Provides a framework for monitoring and evaluating the progress of the housing 'business';
 - Communicates Cardiff's plans to its tenants, members, the Welsh Government, other key stakeholders, partners and the wider community through clear, digestible means.
 - Assess the reasonings and financial costings for the proposed Assistant Director post.
 - Reflect on what they were informed during their scrutiny of the council rent and service charge setting (**point 13** of this Cover Report)

Background – Housing Revenue Account

3. All Local Authorities in Wales have the responsibility to plan for the housing needs of their population in their role as Strategic Housing Authority. However only 11 of the 22 authorities in Wales have retained their council housing stock and consequently a role in the direct delivery of affordable, good quality homes as a social housing landlord.

4. Cardiff Council's landlord functions are managed within a ring-fenced Housing Revenue Account (HRA). Every year, each of the 11 stock retaining authorities are required to present an "acceptable" Housing Revenue Account (HRA) Business Plan (including a 30-year financial model) to the Welsh Government. This is to allow the Welsh Government to assess the progress of local authorities in meeting and/or maintaining the Welsh Housing Quality Standard (WHQS) to then be eligible for the Major Repairs Allowance (MRA) Grant (currently £9.568m).
5. As mentioned above, the council's HRA is ring-fenced, with its main income stream arising from council tenants' rents. In December 2022, this Committee considered the forthcoming Cabinet decision to increase council rent and service charges for Council owned dwellings during the financial year 2023/24.
6. In the December 2022 Cabinet meeting, it was agreed to increase council rents by the maximum 6.5% and to also increase service charges by 6.5%, or by actual costs where known. Members are advised, the December Cabinet Report advised a proposed rent / service charge increase of 6.5% is affordable against the Joseph Rowntree Foundation affordability model. A summary of the discussions held when Committee Members considered this proposal is captured in **point 13** of this Cover Report.

Overview

7. As detailed in **point 5** of the Cabinet Report (**Appendix A**), the purpose of the Business Plan (**Appendix 1**) is to present transparent, efficient and precise planning of the council's housing assets and management strategy.
8. The HRA Business Plan identifies a number of priorities as aligned to the council's 'Stronger, Fairer, Greener' vision and overall Welsh Government strategic vision.
9. The Business Plan (**Appendix 1**) is organised in line with those identified priorities, and the Cabinet Report, attached at **Appendix A**, provides an overview of each identified priority between **points 9 to 41**.

In short, the priorities identified in the Business Plan are:

- Building new council homes
- Delivering the Welsh Housing Quality Standard (WHQS)
- Maintaining our homes
- Moving towards zero carbon homes
- Improving our neighbourhoods
- Providing safe and inclusive communities
- Supporting tenants through the cost-of-living crisis
- Preventing and addressing homelessness
- Listening to our tenants
- Modernising our services and Listening to our tenants.
- Effective Financial Planning and Assurance

10. To aid Members consideration of the HRA Business Plan, the below contents table signposts Members to those priorities and their relevant page numbers.

Please note that the page numbers listed below ***refer to the pages of the original document in Appendix 1.***

Section of HRA Business Plan	Pages in Appendix 1
Building New Council Homes	10-16
Delivering the Welsh Housing Quality Standard	17
Maintaining our Homes	18-20
Moving Towards Zero Carbon Homes	21-22
Improving our Neighbourhoods	23-24
Providing Safe & Inclusive Communities	25-28
Supporting our Tenants through the Cost-of-Living Crisis	29-31
Preventing and Addressing Homelessness	32-35
Listening to Our Tenants	36-43
Modernising and improving services for our tenants	44-45
Financial Resources and Planning	46-53

Housing Development Programme and Regeneration

11. **Points 42 to 55** of the Cabinet Report (**Appendix A**) provides an overview of the housing development and neighbourhood regeneration programmes – providing reasoning for the need to restructure the Housing Development and Neighbourhood Regeneration team and create an Assistant Director post.

Previous Scrutiny

12. Each year, the HRA Business Plan has to be presented to the Welsh Government. In advance of its presentation to the Welsh Government, the proposed Plan is considered by this scrutiny committee ahead of Cabinet consideration.

In consideration of previous Business Plans, some of the areas explored by past Committee Members included¹²:

- a. The benefit and importance of the Plan's matrix table. As a key purpose of this matrix table is to provide Welsh Government and members of the public with a clear understanding of the identified areas of risk, Members felt the narrative should be expanded to include information on how risks are determined, analysed and monitored to ensure performance, progress and viability.
- b. With regard to the format of the plan, Members noted the format is prescribed by Welsh Government, however were advised there is scope to alter its format within reason. As a result, Members **recommended** in future years more information is included in the Plan regarding financial detail, mitigation measures and sensitivity analysis. Members are to note this recommendation was partially accepted due to the Cabinet's view that as a comprehensive financial model sits below this document, they do not wish the document to lose its accessibility and transparency.
- c. In relation to the Council's decarbonisation agenda, Members raised their

¹ [Letter from Cllr Jenkins, Chairman of CASSC, to Cllr Thorne, Cabinet Member, dated 16 March 2021.](#)

² [Letter from Cllr Jenkins, Chairman of CASSC, to Cllr Thorne, Cabinet Member, dated 10 March 2022](#)

concerns over the costings of this work and sought assurance this is being adequately accounted for.

- d. Given the challenges surrounding retrofitting (costing, scale of work, ensuring affordable energy costs for tenants) Members questioned if the ‘challenge of decarbonisation’ risk being determined as amber in the plan was realistic.
 - e. Members sought assurance that the debt projections contained in the Plan were viable.
 - f. Members requested confirmation on the construction price inflation figures to determine its alignment to the sensitivity analysis within the Plan.
13. In December 2022, this committee undertook pre-decision scrutiny of the council’s proposals to increase the rent and service charge for council properties by 6.5%.

During their consideration, committee members were informed³:

- The ongoing financial volatility, in particular inflation, means there is significant risk to the HRA as the council cannot control or effectively predict a key component of HRA business planning.
- A 6.5% increase of Council homes rent is significantly below the current rate of inflation and will still leave an estimated shortfall of £2.213m on the HRA 2023/24 –but there is a possibility this shortfall could be higher due to the current financial volatility and variables.
- Due to the estimated HRA deficit of £2.213m, Members were informed a full review of the HRA has taken place and a number of areas have been identified where efficiencies could be made, including:
 - Reduction in staffing (through deletion of vacant posts or voluntary severance)
 - Reduction in non-staffing costs e.g., training and events budgets.
 - Reducing capital expenditure including a review of spend in some areas of the Capital Programme such as garage improvement and

³ [Letter from Cllr Molik, Chair of CASSC to Cllr Thorne, Cabinet Member, dated 14 Dec 2022.](#)

estate regeneration.

- Reduction in proposed direct revenue financing.
- In addition, Members were also informed the following service changes could also help create savings:
 - Increased opportunities for digitalization of services
 - A review of the Responsive Repairs Service to ensure works are carried out by the most appropriate operatives.
 - Review and alignment of back-office services and of senior management roles.
 - Review of services that are recharged to the HRA.
- Committee Members will note, that the Budget 2023-2024 proposals, agreed by Council on 9th March, proposed the reduction of 8.5 FTE posts in the Housing & Communities Directorate, and the following projections for earmarked reserves of the Housing Revenue Account during 2023/24:

EARMARKED RESERVES HOUSING REVENUE ACCOUNT

	Reserve	Estimated balance at 31.03.23 £000	Estimated Movements		Estimated balance at 31.03.24 £000	Purpose /To fund:
			To finance budget £000	Other Commitments £000		
1	Housing Development Resilience Reserve	750	0	250	1,000	Improve resilience within the Housing Development Capital Programme
2	Housing Repairs and Building Maintenance	9,021	0	0	9,021	Housing repairs and to mitigate against risk within the Construction Industry
4	Welfare Reform	429	0	0	429	Project costs and scheme development to address issues for council tenants due to benefit cap and universal credit
	TOTAL	10,200	0	250	10,450	

	Reserve	Estimated balance at 31.03.23 £000	Estimated Movements		Estimated balance at 31.03.24 £000	Purpose /To fund:
			To finance budget £000	Other Commitments £000		
1	HRA General Reserve	15,502	0	0	15,502	The impact of unexpected events or emergencies within the HRA

The table below (entitled 'Capital Funding'), was provided to Members' in their February meeting, and offers an overview of the council's general Capital Programme funding streams, and the council's HRA Capital Programme funding streams.

In line with the focus of the agenda item, Members are advised to focus on the information relating to the funding streams of the HRA Capital Programme.

Capital Funding 2023/24 - 2027/28

	<u>2023/24</u>	Indicative	Indicative	Indicative	Indicative	Total	
	£000	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	£000	%
General Fund							
WG Unhypotheated Supported Borrowing	(8,925)	(8,925)	(8,901)	(8,901)	(8,901)	(44,553)	4.9
WG General Capital Grant	(9,166)	(9,166)	(6,135)	(6,135)	(6,135)	(36,737)	4.1
Additional General Capital Grant unallocated from 2021/22	(4,670)	(1,300)	(1,000)	0	0	(6,970)	0.8
Additional Borrowing to balance existing capital programme	(36,097)	(36,381)	(28,947)	(10,410)	(5,004)	(116,839)	12.9
Additional Borrowing - Invest to save/earn schemes to be repaid from revenue savings/incidental income or directorate budgets	(39,398)	(122,044)	(110,284)	(42,390)	(3,500)	(317,616)	35.1
Earmarked Capital Receipts	(7,877)	(2,500)	(300)	0	0	(10,677)	1.2
Non Earmarked Capital Receipts assumption	(3,000)	(3,340)	(3,300)	(3,000)	0	(12,640)	1.4
Direct Revenue Financing	(210)	(210)	(210)	(210)	(210)	(1,050)	0.1
Earmarked Reserves	(1,500)	(2,788)	0	0	0	(4,288)	0.5
External grant and contributions estimates	(92,084)	(161,308)	(72,488)	(22,123)	(6,775)	(354,778)	39.2
Total General Fund	(202,927)	(347,962)	(231,565)	(93,169)	(30,525)	(906,148)	100.0
Public Housing (HRA)							
Major Repairs Allowance WG Grant	(9,570)	(9,570)	(9,570)	(9,570)	(9,570)	(47,850)	9.45
Additional Borrowing	(69,250)	(69,215)	(48,543)	(68,050)	(102,750)	(357,808)	70.64
Revenue / Reserves	(5,400)	(1,400)	0	0	0	(6,800)	1.34
External grant and contributions estimates	(24,280)	(21,575)	(27,132)	(10,600)	(6,500)	(90,087)	17.78
Capital Receipts	(2,500)	(500)	(500)	(500)	0	(4,000)	0.79
Total Public Housing	(111,000)	(102,260)	(85,745)	(88,720)	(118,820)	(506,545)	100.0
Total Capital Programme Resources Required	(313,927)	(450,222)	(317,310)	(181,889)	(149,345)	(1,412,693)	

14. **Appendix 3** to this Report provides information on the Housing Revenue Account Capital Programme 2023/24 spend, and indicative spend for future years.

Committee Members are advised the information contained in Appendix 3 is exempt from publication and so is to be treated confidentially. Should committee Members have questions on this Appendix, they will be taken in closed session, with the webcast ceased.

Legal Implications

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

It is recommended that the Committee:

- i. Consider the proposed draft Business Plan and proposal to restructure the Housing Development and Neighbourhood Regeneration team, and decide whether it wishes to relay any comments or observations to the Cabinet at its meeting on the 23rd March 2023 and;
- ii. Decide the way forward with regard to any further scrutiny of matters raised.

DAVINA FIORE

Director of Governance and Legal Services

14 March 2023