

## **POLICY SCRUTINY GROUP – 21ST NOVEMBER 2017**

### **Report of the Head of Landlord Services and the Head of Strategic and Private Sector Housing**

#### **ITEM 6      POLICY ASPECTS OF THE HOUSING REVENUE ACCOUNT BUSINESS PLAN 2014-2044 AND THE HOUSING ASSET MANAGEMENT STRATEGY 2014-2019**

##### Purpose of Report

The purpose of the report is to review the progress to deliver the Housing Revenue Account Business Plan 2014-2044 and the Housing Asset Management Strategy 2014-2019, and in particular the policy elements of the Plan and the Strategy.

##### Action Requested

To consider the progress that has been made to deliver the Housing Revenue Account Business Plan 2014-2044 and the Housing Asset Management Strategy 2014-2019, and in particular the policy elements of the Plan and the Strategy such as the use of garage sites, the provision of bungalows, options for sheltered housing schemes and new build housing.

##### Reason

To scrutinise the policy aspects of the Plan and the Strategy in a timely manner in accordance with the Group's work programme.

##### Policy Context and Justification

The Housing Revenue Account Business Plan 2014-2044 and the Housing Asset Management Strategy 2014-2019 is designed to help deliver the Council's priorities identified in the Corporate Plan.

##### Background

The Housing Revenue Account (HRA) Business Plan 2014-2044 identifies the level and sources of funding available to deliver these priorities and provide the housing service to tenants and leaseholders. It is a long term plan covering the next 30 years.

This Business Plan updates the previous HRA Business Plan approved in February 2012, reviewing investment, income and expenditure assumptions.

The Housing Asset Management Strategy 2014-2019 identifies the strategic priorities for maintaining and developing the housing stock.

## *Introduction to the HRA Business Plan 2014-2044*

The HRA Business Plan 2014-2044 was approved by Cabinet on 25th September 2014.

The HRA Business Plan sets out how the Council intends to meet the investment requirements necessary to deliver the housing service and maintain the HRA properties over the next 30 years. In addition the Plan considers opportunities for building new Council homes.

### *Financial Modelling and Capital Capacity*

Detailed financial modelling has been developed with the Chartered Institute of Housing to support the HRA Business Plan. The HRA Business Plan identifies that £92.46 million is required over years 6 to 30 to maintain the Charnwood Standard and this is affordable and costed into the Plan.

In addition to investment in existing stock and services the Plan identifies that there should be money available for investment in new homes. Chart 1 (below) shows the projected capital capacity over the life of the Plan.

Chart 1 - Projected Capacity Available £'000 (below)



### *National Policy changes impacting on the HRA Business Plan*

The HRA Business Plan is due to be reviewed. Key assumptions and sensitivities will need to be considered.

Since 2014 there have been significant changes to national policy that have and will continue to impact on the HRA Business Plan and the scale of resources available. These are summarised below.

## *Social Rent Policy*

The Welfare Reform and Work Act 2016 required registered providers of social housing in England to reduce social housing rents by 1% a year for 4 years from a frozen 2015 to 2016 baseline. The Policy applied from 1 April 2016 and equates to a 3.94% net cash reduction on HRA residential rental income.

In October 2017 the Department for Communities and Local Government (DCLG) set out a proposal to increase social housing rents, which will be limited to the Consumer Price Index (CPI) plus 1% for five years from 2020. This will provide greater certainty for the Council around rental income.

## *Sale of Higher Value Voids*

The Housing and Planning Act 2016 enables the Government to set out a definition of “higher value” homes and will create a duty on local authorities to consider selling homes that meet this definition when they become vacant. The capital receipt will be returned to the Government.

The Act allows the Government to estimate the amount of money they would expect each individual authority to receive, in each financial year, from sales of higher value homes. The Council will then be required to pay this amount to the Treasury<sup>1</sup>.

It is expected that the Council will be able to choose whether to sell the properties or retain them, whilst paying the required amount to the Government. The Department for Communities and Local Government may make an assessment on the number of voids expected, and the Council may be expected to pay the relevant amounts based on this notional level.

It is expected that the definition of “higher value” will be regional and based on property size.

The Housing Minister has indicated that the powers will not be used until at least April 2018.

The financial impact of the sale of higher value homes will need to be quantified in the revised HRA Business Plan.

## *Universal Credit*

Universal Credit is scheduled for full implementation in Charnwood from April 2018.

In October 2017 3,151 of the Council’s tenants were in receipt of Housing Benefit at a total amount of £233,392 per week (approximately £11.2 million per year). Around

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<sup>1</sup> Chartered Institute of Housing (ND) Available at:  
[http://cih.org/resources/PDF/Policy%20free%20download%20pdfs/What%20you%20need%20to%20know%20about%20the%20Housing%20and%20Planning%20Act%202016.pdf?dm\\_i=YRX,489LU,51751D,FFF0V,1](http://cih.org/resources/PDF/Policy%20free%20download%20pdfs/What%20you%20need%20to%20know%20about%20the%20Housing%20and%20Planning%20Act%202016.pdf?dm_i=YRX,489LU,51751D,FFF0V,1)

Accessed: 06/11/2017

60% of those tenants (receiving a total amount of approximately £7 million per year) were of working age and will transfer over to Universal Credit. It is expected that rent arrears will increase and rent collection rates will reduce.

A Task and Finish Group has been set up with other the Leicestershire Districts and Boroughs, attended by the Head of Customer Experience to work together to ensure we are all in the best position possible to support our customers through the transitional period.

The learning and development for the roll out in Charnwood is planned from December to March with the training being provided by the Department for Work and Pensions, more details will be available once these have been received.

#### *Mandatory use of Fixed Term Tenancies*

The Housing and Planning Act 2016 Act requires that most new local authority tenancies are to be granted for fixed terms between two and five years.

The Council is awaiting the regulations from the Government on the implementation of fixed term tenancies.

At the end of a fixed term, landlords will have to undertake a review to decide whether to offer a new tenancy either on the same or a different property or to end the tenancy for the residents to find alternative accommodation.

Additional resources may be required to implement and administer any new processes arising from the introduction of fixed term tenancies.

#### Housing Asset Management Strategy 2014-2019

The objectives of the Housing Asset Management Strategy are to:

- Continue to provide quality homes by delivering the Charnwood Standard – an enhanced standard in excess of decent homes.
- Invest to meet current and future needs.
- Continue the programme of improving the quality of sheltered housing.
- Deliver additional investment for a programme of external and internal painting over the next seven years.
- Continue to reduce carbon emissions.
- Support additional tenant priorities for estate improvement works.
- Continue to invest so that tenants feel safe in their homes.
- Have homes and neighbourhoods that are popular places to live.
- Support vulnerable tenants.
- Use assets in an efficient and affordable manner and,

In accordance with the Corporate Plan priorities for 2012-2016;

- “support partners in the provision of Extra Care Housing for an ageing population”

## *Progress to date against the Strategic Objectives*

### Quality Homes

The HRA Business Plan sets out the investment required to ensure that all the Council stock meets both the decent homes standard and the Charnwood Standard (an enhanced standard in excess of decent homes) and for works to improve the estate communal areas.

Investment has been positive in line with the priorities and there is currently no non-decency in the Council's General Needs housing stock.

Riversdale Court, Birstall previously a 25 unit sheltered scheme in Birstall consisting of 8 one bedroom flats, 16 bedsits and 1 two bedroom flat has been refurbished and remodelled to create 29 self-contained units of accommodation.

### New Build

The objective is to build or acquire properties, preferably two bed accommodation and bungalows for sale on the open market to address the housing needs of households on the Housing Register.

The scheme will be funded via receipts arising from Right to Buy sales of Council properties and Major Repairs Funding. The Council has entered into an Agreement with the Secretary of State to be allowed to retain Right to Buy receipts on the basis that this funding will be used to increase the supply of affordable housing. The Government policy is that these receipts must be spent within three years of receipt. Receipts not spent within this timeframe must be repaid to the Government plus interest at a rate of 4% above the base rate. The capital receipts can only fund 30% of a scheme.

This scheme supports delivery of the Corporate Performance Indicator K12 to increase the supply of affordable homes.

### Garage Sites

The HRA includes 809 garages and 190 bases across the Borough with 205 of these currently vacant and 185 applicants on the garage waiting lists.

Factors influencing falling demand are the remoteness of some of the sites from the prospective tenant's property and the increasing trend in "dropped kerb" applications providing parking on house drives.

Increasingly it is apparent that the garages are being utilised for the storage of goods.

Garages tend to be sited in blocks, away from dwellings and tenants have told us they would prefer to have parking closer to their properties and where they can see their vehicle from their home.

There are currently 5 sites that are being considered for the possible provision of additional housing to meet the increase need of the Borough. Plans for the feasibility of these sites has been undertaken and the next steps will be to look at the viability of the proposed schemes before consultation will be carried out with those renting garages on the sites and adjacent residents and a report being submitted to the Council's Cabinet for decision as and when required.

### Choice Based Lettings Housing Allocation Policy

Following a review and a full consultation process the Choice Based Lettings Housing Allocation Policy was approved by the Cabinet in October. The Policy guides the principles of how homes will be allocated in a fair and transparent manner, taking account of both the Council's duty to meet housing need and its wish to offer as much choice as possible.

### Sheltered Housing Review

The Sheltered Housing Review is underway to ensure that the Council provide high quality housing in self-contained accommodation, addressing tenants' needs and expectations, where residents may live independently with support and arranged care packages when needed.

The review will determine the future of the schemes, providing solutions based approach and determining where the Council wants to invest. The review will consider the following schemes:

- Aingarh, Loughborough
- Arnold Smith House, Shepshed
- Babington Court, Rothley
- Beresford Court, Shepshed
- Dudley Court, Sileby
- Durham Road, Loughborough
- Fielding Court, Loughborough
- Grays Court, Barrow upon Soar
- Martin Court, Anstey
- Riversdale Court, Birstall
- Sorrell Court, Mountsorrell
- St Michaels Court, Thurmaston
- St Pauls Court, Syston
- St Peters Court, Syston

A Project Board and Project Team have been set up to take the Project forward.

The Project Board approved the Project Initiation Document and the Project Plan at the Board meeting on the 6<sup>th</sup> December 2016. In addition a review template for the Schemes has been approved by the Project Board and the reviews of the Schemes have all been completed.

A proposed Sheltered Housing Scheme Standard was drafted based on the Riversdale Sheltered Scheme and following consultation with the Senior Citizens Forum and approval by the Project Board the assessment of all schemes against the standard are underway.

The desktop exercise of assessment has been completed for all the schemes and once the onsite technical inspections have been completed a list of priorities and options will be compiled and considered by the Project Board.

Following the above exercise a report will be produced for approval by the Cabinet outlining the scheme by scheme solutions recommended by the Project Board and the next steps for implementation.

### Reducing Carbon Emissions

The Council aims to continue to improve the energy efficiency and standard of Council housing stock through investment. The Council's homes are maintained to an enhanced Charnwood Standard rather than the Decent Homes Standard.

Works to improve the energy efficiency of Council homes continues and over the past 2 years we have:

- Updated Energy Performance Certificate records for 438 homes to provide a true Standard Assessment Procedure (SAP) rating.
- Invested £60,000 to provide a top up roofing insulation programme during re-roofing works to 158 Council homes.
- Brought a further 810 Council properties up to the 'Charnwood Standard' during 2015/16 which has resulted in improved energy efficiency standards for tenants.

Over the next 2 years the following will be completed:

- Increase roof insulation levels to meet current requirements.
- Replace 326 heating units.
- Carry out 800 stock condition surveys which will include an energy assessment.
- Update EPC records for Council homes to give a true Standard Assessment Procedure (SAP) rating.

The Government has indicated that from 2018, the focus will shift from energy efficiency to fuel poverty.

The Council's Financial Inclusion Officers will continue to support Council tenants to ensure that they are on suitable energy tariffs.

Background Papers:

Cabinet Report, Housing Revenue Account Business Plan 2014- 2044 and Housing Asset Management Strategy 2014- 2019, item 6, 25th September 2014 and minute 37 2014/15

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