

Report of Director of Environment and Housing

Report to Executive Board

Date: 22 March 2017

Subject: Housing Revenue Account Business Plan 2017/18 to 2026/27

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

The Housing Revenue Account (HRA) became self-financing in 2012. This gave local authorities greater freedoms to plan services and investment in council housing in the longer term. The first self-financing HRA Business Plan for Leeds was approved by Executive Board in February 2012.

The Financial Plan has continued to be reviewed each year, to take account of new local priorities and external challenges. There have been a number of external influences, such as the Government's introduction of a revised rent policy in 2016, which have had a negative impact on resources available to the HRA.

An updated Business Plan has now been produced to outline how Leeds plans to manage its HRA resources to deliver a high quality service and support wider strategic priorities, despite reduced resources being available. The plan also highlights a number of emerging risks which may further impact on the future viability of the Business Plan and the Council's ability to deliver on its commitments and how these risks will be managed.

Recommendations

Members of Executive Board are asked to:

- Endorse the HRA Business Plan for 2017/18 to 2026/27;
- Note the future risks to the HRA and the impact these may have on the Council's ability to deliver some of its Business Plan priorities.

1 Purpose of this report

- 1.1 To share the updated HRA Business Plan with Executive Board, including an outline of the main priorities, an updated Financial Plan and an outline of some of the emerging risks to our successful delivery of the plan.

2 Background information

- 2.1 The HRA Business Plan is the strategic plan setting out how the Council intends to manage its HRA resources to support the delivery of high quality council housing.
- 2.2 The HRA became self-financing in 2012. This gave local authorities greater freedoms to plan services and investment in council housing in the longer term. The first self-financing HRA Business Plan for Leeds was approved by Executive Board in February 2012.
- 2.3 The Council has made significant progress in delivering the priorities identified in the 2012 HRA Business Plan, as follows:
 - Delivered £0.5bn investment in Council homes over the last 5 years;
 - Delivered £180m regeneration programme to Little London and Beeston Hill and Holbeck areas;
 - Approval of £125m council housing new build programme, with 500 homes delivered to date;
 - Developed an updated Asset Management Strategy and Investment Strategy which gives greater consideration to sustainability and wider investment need;
 - Implemented an updated Tenancy Strategy in 2013.
- 2.4 The Financial Plan has continued to be reviewed each year, to revise projections in light of updated information on income and expenditure projections and emerging priorities.
- 2.5 Since the last HRA Business Plan was produced in 2012 there have been a number of legislative changes introduced by Government which will impact on the Financial Plan. An updated Business Plan has therefore been produced in response to these changes.

3 Main issues

3.1 The HRA Business Plan has been updated and includes the following:

- Strategic context;
- Our housing and customer portfolio;
- Asset management and investment priorities;
- Tenancy management priorities;
- Business priorities;
- Tenant priorities;
- Financial Plan;
- Business Plan Risks;
- Performance and risk management.

These are outlined in more detail below.

3.2 Strategic Priorities

3.2.1 The HRA Business Plan has been developed to take account of the important role that Council Housing services have in supporting much wider Council priorities. Housing Leeds has an important role in supporting a number of Council priorities and breakthrough projects, including supporting housing growth, tackling domestic abuse, supporting older residents to remain independent, cutting carbon and reducing health inequalities.

3.2.2 The Business Plan is also closely aligned to the Leeds Housing Strategy which was refreshed during 2016 to outline how Leeds City Council will support the delivery of the 6 themes of affordable housing growth, improving housing quality, promoting independent living, creating sustainable communities, improving health through housing and meeting the needs of older Leeds residents.

3.3 Our Housing and Customer Portfolio

3.3.1 The Council remains the largest landlord in the city and the second largest local authority landlord in the UK, with 56,468 homes across the city. The housing portfolio is made up of aging housing stock with large numbers of non-traditional properties and high rise flats, which have high levels of investment need. However, 95% of homes meet the national Decent Homes Standard and energy efficiency is higher than the national local authority average, as the Council has skewed its investment towards this priority.

3.3.2 Over half of council housing is located in areas identified in the English Index of Multiple Deprivation 2015 as being in the lowest 10% deprived areas in the UK. The HRA therefore has a critical role in supporting tenants living in these areas to reduce deprivation.

3.3.3 Demand for council housing remains high, with an average of 91 bids received per property (of those advertised between October – December

2016.) The majority (75%) of applicants on the Leeds Homes Register do not have an assessed housing need, but have expressed an interest in being housed by the Council. Tenancy sustainment is increasing, with the average tenancy length of 10.5 years.

- 3.3.4 However, our customer profile presents the HRA with a number of challenges. 28% of tenants identify themselves as having a disability and a quarter of tenants are aged over 65. With an aging tenant profile this will influence services that we need to provide to support older tenants whilst also continuing to meet wider housing need.

3.4 Our Asset Management / Investment Priorities and Plans

- 3.4.1 Housing Leeds has set out its vision and priorities for investing in Council Housing in the 2016 Asset Management Strategy, which has 4 main priorities:

3.4.2 Delivering modern, fit for purpose homes and neighbourhoods

- Achieving the Leeds Homes Standard – by spending £50m on renewing kitchens, bathrooms roofs, windows and doors and £4m on electrical works;
- Meeting the investment needs of our most challenging property types – by completing the remodelling of sheltered bedsit blocks, spending £59m on our high-rise investment programme (including £20m on heating schemes) and developing investment plans for our non-traditional and hard-to-treat stock; and
- Modernising repairs and maintenance – through more planned and batched works, more preventative repairs to counteract damp and working with the Chartered Institute of Housing on ‘Rethinking Repairs’.

3.4.3 Reducing fuel poverty, cutting carbon and improving health outcomes

- Delivering warm, energy efficient homes that are affordable to heat – by investing £23m on heating and hot water renewals and £8m on insulation works to low and medium-rise properties, as well as cladding, roof insulation and heating upgrades for high-rise blocks; and
- Investing in works to improve health outcomes – by working with colleagues in public health and the NHS to understand the areas with worst health outcomes, works that will have the biggest impact in terms of health outcomes and to explore joint funding opportunities.

3.4.4 Increasing affordable housing supply

- Reshaping the housing stock – by developing a forward programme of options appraisals for the estates/property types/blocks/schemes that are poorest performing; and

- Delivering new or additional homes – by bringing forward HRA sites that are suitable for development of affordable housing, bespoke properties and self-build.

3.4.5 Intelligence led stock portfolio management

- Driving stock improvement and estate sustainability – by understanding the relative performance of different areas or property types through financial and non-financial modelling, and using this intelligence, alongside analysis of repairs, to inform and guide investment proposals. Also by spending £4m on environmental works to improve estate areas and support community investment from Housing Advisory Panels.

3.5 Our Tenancy Management Priorities and Plans

3.5.1 To reflect the priorities in the Housing Strategy, the priorities and plans are as follows.

3.5.2 Best use of stock

- Implementation of Community Lettings Policies over the next 3 years, as part of Ward Based Lettings Plans, to capture any specific local housing needs based on availability of housing types in a local area;
- Draft Lettings Policy changes have been developed which propose the introduction of a Tenant Transfer Policy to help support tenant mobility to more suitable housing, although implications of the introduction of fixed term tenancies through the 2016 Housing and Planning Act on current tenants will need to be considered;
- Supporting initiatives such as the Tenant Mobility Scheme and Homeless Prevention Grant to offer incentives to tenants to move to more suitable homes;

3.5.3 Creating sustainable communities

- Supporting the delivery of the Council's Priority Neighbourhood Improvement approach;
- Embedding partnership working with key locality service providers in order to proactively plan the management of neighbourhood issues, including anti-social behaviour;
- Delivery of the High Rise Strategy, including more proactive housing management, a clear investment strategy for improving the blocks and a number of other initiatives to achieve sustainable communities;
- Actively supporting the Front Door Hub in proactively managing domestic abuse cases;
- Working proactively with communities to support initiatives to build community resilience through Asset Based Community Development principles.

3.5.4 Supporting residents and communities to reduce poverty and maximise financial inclusion

- Working proactively with residents at risk of financial exclusion, including those affected by Welfare Reform, to maximise income,

access affordable finance and fuel, and access digital opportunities, training and employment.

- Working proactively with communities to support projects and promote campaigns that support financial and digital inclusion.

3.5.5 Embedding Tenant Responsibility

- Acknowledging responsible tenants through access to transfer opportunities;
- Embedding a 'Rent First' culture where the expectations of tenants to pay their rent is clear, but with support available to help tenants who are experiencing hardship to maximise their income.

3.5.6 Supporting older and disabled residents to remain active and independent in their own homes

- Delivery of support models to provide flexible housing and support options for older tenants, alongside an effective marketing and communication strategy for retirement living;
- Supporting the delivery of additional extra care council housing;
- Supporting tenants needing adaptations to remain independent in their own homes;
- Delivering enhanced AHVs for Over 75s to proactively identify support needs and reduce social isolation.

3.5.7 Delivering high quality customer services and increasing customer satisfaction with services provided

- Supporting the delivery of the remainder of the Community Hub programme to facilitate customer facing housing services in Community Hubs;
- Delivery of improved digital information and communications to tenants and providing greater opportunity for online self-service;
- Investment in staff training is underway to embed an organisational culture of providing high quality customer services;
- Supporting ongoing improvements to customer facing processes.
- Implementing the revised Tenant Engagement Framework, allowing all tenants the opportunity to influence and help improve services.

3.6 Our Business Priorities

3.6.1 To support the delivery of our asset management and investment priorities and tenancy management priorities the main business priorities are:

- *Maximising income* – from rent and service charges by embedding a 'Rent First' culture, and minimising rent loss from empty properties;
- *Maximising efficiency* – by delivering the Housing ICT solution via Civica, ongoing process improvements and facilitating more mobile working;
- *Maximising Value For Money* – by delivering procurement efficiencies on future contracted services in accordance with the Housing Leeds Procurement Strategy;

- *Partnerships* – by strengthening our influence as a Strategic Housing Authority, working at a strategic level to influence national policy and working with local service providers;
- *Being more enterprising* – by piloting new and innovative technology and practices.

3.7 Tenant Priorities

3.7.1 A Survey of Tenants And Residents (STAR) was undertaken during autumn 2016. This highlighted that the 7 biggest priorities for tenants were as follows:

- Repairs and maintenance;
- The overall quality of the home;
- The neighbourhood as a place to live;
- Dealing with anti-social behaviour;
- Value for money of rent and service charges;
- Keeping residents informed;
- Listening to tenant views and acting upon them.

3.7.2 The priorities identified by tenants have informed the asset management and tenancy management priorities identified within the Business Plan.

3.8 Our Financial Plan

3.8.1 The Financial Plan sets out the resources available in the HRA and how these will be used to support the delivery of priorities outlined within the Business Plan. The plan covers the period from 2017/18 to 2026/27. A copy of the 10 year Financial Plan is attached to the Business plan.

3.8.2 The Financial Plan has been updated to take account of Central Government's revised rent policy of a 1% rent reduction for the next four years. Based on current assumptions the projections over the next ten years show a balanced HRA budget. Details of all assumptions made are outlined in the Business Plan.

3.8.3 When compared to the level of resources assumed in the last approved Business Plan, the rent reduction policy equates to a loss of £283m of rental income over a 10 year period. This has been managed largely through a combination of the use of reserves, reduction in capital resources, efficiencies within the service and increases in service charges so that the level of contribution received more closely reflects the costs associated with the delivery of the services.

3.8.4 In light of this reduction in resources, the council will need to revise its HRA Investment Strategy. Based on the current financial assumptions capital resources are as set out in the summary table below.

Capital Resources available.

2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2025/26
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
78,000	77,527	77,039	76,568	75,799	75,395	74,721	77,111	77,220	78,600

3.9 Business Plan Risks

There are a number of uncertainties which may impact on the level of resources available to the HRA and our ability to deliver the priorities outlined in this Business Plan. These are outlined below:

- *Government's Rent Policy Beyond 2020* – if the Government implements a rent policy post 2020 which is different to the CPI + 1% currently assumed this will impact further on resources available within the Business Plan. A 1% variation in rent equates to approximately £2m.
- *Roll out of Universal Credit* – if the impact of Universal Credit on bad debt is greater than projected in the Business Plan this will impact negatively on resources available.
- *Increased Right to Buys* – if the number of Right to Buys exceed projections within the Business Plan this will reduce the amount of rent due into the HRA.
- *Sale of Higher Value Homes* - the Housing and Planning Act 2016 introduced the requirement for local authorities to sell their higher value homes in order to fund an extension of the Right to Buy scheme to Housing Association tenants. Details of the definition of higher value homes and the mechanism by which the Government will calculate the amount to be paid by each Authority are yet to be published but implementation of this policy could have a significant impact upon the level of resources available.
- *Housing White Paper "Fixing our broken housing market"* – proposes further changes to the sector which may impact on the HRA.
- *Investing in Housing Stock* - The HRA Investment Plan approved by Executive Board in 2015 noted a shortfall in capital resources available to meet investment need up to 2018/19 which would be overcome by an increase in capital resources after that period. As the capital resources now available to support the Investment Plan after 2018/19 have reduced, the Investment Plan will need to be reviewed to reflect the revised resource position. The Investment Strategy will therefore be reviewed by Autumn 2017, detailing how we will deliver the investment need deriving from the priorities identified in the Asset Management Strategy within the revised capital resources now available. This will then begin a cycle of annual reviews of the HRA Business Plan and Investment Strategy which will be reported to Executive Board and inform the subsequent annual budget setting process.

4 Corporate Considerations

4.1 Consultation and Engagement

4.2 The HRA Business Plan combines a number of priorities and plans for council housing which have already been subject to separate consultation and approval mechanisms, and sets these within the context of the overall Financial Plan.

4.2.1 Voice of Involved Tenants At Leeds (VITAL) is the strategic tenant group through which the Council consults with tenants on strategic developments and major policy changes. Priorities outlined in this Business Plan have all been subject to separate consultation with VITAL.

4.2.2 A summary of the updated HRA Business Plan and risks was presented to VITAL in February 2017.

4.3 Equality and Diversity / Cohesion and Integration

4.3.1 The HRA has an important role to take in supporting community cohesion and integration across the city. As 53% of Housing Leeds properties are located in areas identified as being in the 10% most deprived areas in the UK, it is critical that the Council supports the wider needs of these neighbourhoods in order to achieve more inclusive economic growth across Leeds.

4.3.2 As part of the HRA Business Plan, a number of plans are in place to support increased community cohesion and resilience. This includes support to communities to support community projects which are built on Asset Based Community Development principles, support to maximise income and affordable banking / energy, and support to maximise digital access.

4.3.3 An Equality Impact Assessment has not been undertaken of the HRA Business Plan as it is made up of a number of already agreed strategic approaches which have been subject to separate Equality Impact Assessments.

4.4 Council policies and Best Council Plan

4.4.1 The HRA Business Plan has been developed to take account of the important role that council housing services have in supporting much wider Council priorities. Housing Leeds has an important role in supporting a number of Council outcomes, including:

- Be safe and feel safe;
- Live with dignity and stay independent for as long as possible;
- Live in good quality, affordable homes within clean and well cared for places;

4.4.2 The plan also supports a number of Breakthrough projects, including supporting housing growth, tackling domestic abuse, supporting older residents to remain independent, cutting carbon and reducing health inequalities.

4.4.3 The Business Plan is also closely aligned to the Leeds Housing Strategy which was refreshed during 2016 to outline how Leeds City Council will support the delivery of the 6 themes of affordable housing growth, improving

housing quality, promoting independent living, creating sustainable communities, improving health through housing and meeting the needs of older Leeds residents..

4.5 Resources and value for money

- 4.5.1 The updated HRA Financial Plan projects an income of £2.6 billion over the 10 year business plan to manage all aspects of services to council housing and tenants. However, there are a number of risks to these income assumptions, outlined in section 3.10 of this report.
- 4.5.2 The Business Plan outlines a number of opportunities to improve value for money, through the implementation of a new Housing ICT solution, implementation of mobile working, future procurement of contracted services and technologies, and ongoing process efficiencies.
- 4.5.3 A reduction in resources available to the HRA will impact on the Council's ability to deliver its priorities outlined in this Business Plan, particularly around property investment, repairs and maintenance and further council housing growth. The Investment Strategy will be reviewed by autumn 2017 to reflect the updated resources available.

4.6 Legal Implications, Access to Information and Call In

- 4.6.1 There are no specific legal implications associated with this report.

4.7 Risk Management

- 4.7.1 A number of risks to the HRA Business Plan are outlined in section 3.10 of this report. Performance against the HRA Business Plan priorities and risks will be reported to Housing Advisory Board on a regular basis.
- 4.7.2 A review will be undertaken of the performance priorities reported to Housing Advisory Board, in order to more closely align these to the HRA Business Plan and Housing Strategy priorities.
- 4.7.3 A refresh of the HRA Business Plan will be undertaken each year. The plan will also be reviewed if major legislative or policy changes are made that could substantially affect it.

5 Conclusions

- 5.1.1 An updated HRA Business Plan has now been produced to outline how Leeds plans to manage its HRA resources to deliver a high quality council housing service and support wider strategic priorities, with reduced HRA resources available due to the 1% rent reduction policy.
- 5.1.2 The plan also highlights a number of emerging risks which will further impact on the future viability of the Business Plan and the Council's ability to deliver on its commitments made.
- 5.1.3 The HRA Business Plan outcomes and risks will be monitored by Housing Advisory Board and an annual review will be undertaken each year.

6 Recommendations

Members of Executive Board are asked to:

- Endorse the HRA Business Plan for 2017/18 to 2026/27;
- Note the future risks to the HRA and the impact these may have on the Council's ability to deliver some of its Business Plan priorities.

7 Background documents¹

None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.