

Appendix 4 – HRA Business Plan Summary of Priorities

Housing Revenue Account Business Plan 2020/21 – Update Summary

Setting the scene

The Housing Revenue Account (HRA) Business Plan sets out the way we manage housing and resources to meet demand, invest in new houses and maintain our existing housing stock to a high standard

The HRA Business Plan is the main tool to manage the housing landlord business, setting the priorities for spending and the plans and actions for the Council housing over the next 30 years.

Why have a business plan?

Warwick District Council owns approximately 5,450 homes.

The HRA Business Plan provides the strategic direction for landlord services; enabling it to deliver improvements to homes and services in accordance with the priorities of tenants and the Council.

The HRA's income comes from rent and service charges paid by tenants and leaseholders. The income received into the HRA must be managed to ensure the Council can provide tenants with well-maintained and managed homes now and into the future.

The Business Plan demonstrates that we can maintain our existing housing assets, build new homes and meet tenants expectations in providing quality services.

In April 2012 the Government ended the Housing Revenue Account subsidy system. This means that the Council can now keep rental income and use it to fund housing stock (called 'self-financing'). The HRA Business Plan ensures that priorities for self-financing are affordable and deliverable.

What are the priorities for the HRA Business Plan?

The priorities that are particularly identified for projects in the next phases of the Business Plan form part of the longer term priorities and will be supported by the identification of specific projects over the short term. These are identified as:

- Delivery of an ambitious programme of housing development including new build, regeneration of HRA land, re-modelling & acquisition of land and homes;
- Continue to ensure that all council owned homes meet the Decent Housing Standard.
- Fire safety continues to be taken seriously and we will ensure that current and future regulations are met.
- The Council has declared a Climate Emergency. Energy efficiency in properties is an important factor as whilst helping to save the planet, it can help our more vulnerable tenants keep warm at an affordable cost.
- Ensuring and increasing the resilience of the HRA by investing to reduce costs or increase income;

- Maintaining an equity of approach in terms of adaptations – these being available to council tenants on the same basis as they are in the private sector through Disabled Facilities Grant;
- Delivering housing solutions for older people and people of all ages with a disability enabling them to maintain independence; those who are homeless and/or who have complex support needs.
- Mitigate some of the specific risks associated with Welfare Reform and the impact on income collection into the HRA;
- Environmental improvements in local neighborhoods to HRA owned areas; and
- Specific pressure points that arise and are unforeseen.

Full documents can be downloaded as follows: [Add hyperlinks]

- HRA Business Plan
- HRA Capital Expenditure and Funding Summary
- Consolidated HRA Financial Statement
- Asset Management Strategy

Our development aspirations

Our social housing provides a lifeline for many households who cannot afford to rent or buy a home on the open market, and need outstrips supply. The Right to Buy (RTB) scheme has reduced the stock considerably since its introduction in 1980 and there are now around 40 Right to Buy sales per year. The increase in the maximum discount to £80,900 (2018-19) combined with the availability of finance and low interest rates is leading to continuing sales. Right to Buy sales remain a risk to the business plan, but not in the short term based on current activity levels.

Local Housing Authorities (LHA) became self-financing for HRA purposes following the successful exit from the Housing Revenue Account Subsidy (HRAS) system in 2011. HM Treasury required each LHA to buy themselves out of the HRAS and fund the settlement from loans taken from the Public Works Loans Board, and also required a housing related borrowing cap to be put in place for each LHA. This limited the amount of financing that could be borrowed to build new or improve existing homes.

The UK Government announced plans to lift the HRA Borrowing Cap at the Autumn Budget on 29 October 2018. The lifting of the cap is allowing LHAs to revisit their HRA business plans to establish opportunities for growth. However, the overall consideration for LHAs is that they may borrow (unsupported) within guidelines set by government.

Long term, we strive to increase our housing portfolio, however, more immediately we have undertaken work to counteract the long-established decline in council housing caused by RTB and maintain our housing numbers at current level. We aim to create good quality, sustainable homes in neighbourhoods that are well looked after, without undermining the financial sustainability of the HRA or of the General Fund.

Restarting a development programme after many years of inactivity is challenging notably as the capacity and expertise is no longer available in-house and is having to be re-established. Initially, the quickest and easiest way to increase our stock was to buy back former council properties. In three years from 2015/16 to 2017/18, we bought 92 properties.

New Council Homes

We are creating an ambitious programme of housing delivery to counterbalance the properties we are obliged to sell under RTB by a mixture of new build, acquisition or repurposing existing assets. In recent years we have committed an initial investment of approximately £36.4million to facilitate the development of around 225 homes.

Buy Back of Former Local Authority Properties

Rules governing the Buying Back of former local authority properties under Right to Buy Regulations apply to properties purchased from the Council within the last 10 years.

Since 2018/19, Warwick District Council has completed the purchase of 5 former local authority properties with a further 2 in the pipeline.

Acquisitions

Since the lifting of the borrowing cap, the Council has been successful in bidding for properties under section 106 agreements with developers where sites are greater than 10 properties.

As of December 2019 just over £8m has been committed to schemes in Leamington, Barford and Radford Semele which will provide 56 new Council homes. Bids have been made for a further 92 homes and we await to hear if we have been successful.

Maintaining the Council's Housing Stock

During 2019, Landlord Services received in excess of 25,500 requests for a repair to be undertaken. These are largely carried out by our three primary contractors for general repairs and maintenance, electrical repairs and gas/heating repairs.

The Lettings Standard describes the standards in which we let our homes, detailing the works that will always be carried out before a tenant moves in and those which will be undertaken, but once the tenant is in residence. Works prior to a tenant moving in will include any works to remove hazards and bring the home to a satisfactory state of repair with functional facilities. Thereafter improvement or investment including kitchen, bathrooms, thermal efficiency and external envelope will be carried out as part of the Housing Improvement Programme.

Works are delivered through a framework of external Contractors. Our aim is to do it once, do it right" in order to avoid repeat or numerous visits reducing future maintenance demands.

In regard to the quality properties let, the feedback from new tenants has been very positive. The outcome of the Lettings Standard will continue to be monitored and it is expected to deliver improved tenant satisfaction with the quality of the accommodation.

Climate Change

The Council has declared a Climate Emergency and all sectors need to play their part in what is required for the district to become carbon neutral. It is assessed that housing contributes 65.9m tonnes of CO2 per year which is 18% of total UK emissions.

Current building methods are very carbon intensive. Each new home 'costs' more than 50 tonnes of carbon to build. Steel is the worst culprit but bricks and concrete are major contributors. We are working with a number of developers to pilot sites which use different construction methods, including modern methods of construction and those which use sustainable solutions, and are looking to better understand the in-use performance of those dwellings to understand how these houses function in practice to inform future development.

We are working with manufacturers to agree a specification based on a fabric-first approach, with a particular emphasis on air-tightness. This is part of ongoing work to be finalised prior to construction, to provide some assurance, it is likely that they would exceed that of building regulations consultation benchmarks.

We also face a considerable challenge to improve the energy efficiency of our buildings and retrofit our existing stock. We have been working to ensure that all Council homes wherever possible, achieve an Energy Performance rating of D. Key to this is having up to date Energy Performance Certificates (EPC) for all properties. During 2018/2019 we have accelerated the number of properties with an EPC rating and as of 21st January 2020 we hold valid EPC ratings for 51% (2,780) of our properties, adding approximately a further 400 each year through voids. We are also commissioning specialists who can provide advice on improving the energy efficiency of our homes including those in conservation areas or which are listed properties.

How the Capital Investment Programme is Identified and Prioritised?

Stock condition surveys undertaken at all properties are the main tool that we use to understand the works that need to be undertaken to maintain our homes to a decent standard.

The data has been sourced via stock condition surveys carried out both internally and by external consultants and updated with survey updates being undertaken once completion of the various work elements has occurred.

The known life cycles for each property attribute are set out in the Decent Homes Standard and used to calculate future replacement times and associated costs. These have been included in our 30-year plan. The cost for each element is based on actual costs incurred; these costs are monitored and updated annually.

Other surveys are undertaken on assets or attributes that are not captured through the stock condition surveys such as surveys of our lifts and Fire Risk Assessments.

All of the surveys identify the works required and indicate how urgent the works are required with the information generating programmes of work and produce forecasting reports required for the 30-year Business Plan.

The programme for 2020/21 will continue to focus on:

- 650 new doors / windows replacements
- Around 75 replacement roofs
- Around 130 combined kitchen and bathroom replacements

Fire Safety

We are completing the programme of improvement works to the communal areas in all nine high rise living blocks owned by Warwick District Council (seven multi-storey blocks above 18 meters in height, with two further six-storey blocks).

The work has been undertaken in collaboration with Warwickshire Fire and Rescue Service and WDC Building Control under the Council's Fire Safety Group, providing an opportunity for WDC to undertake a comprehensive review of communal area fire safety and bringing together a programme of works informed by recommendations and 'Goodwill Advice' alongside works scheduled in the Housing Investment Plan. This has enabled us to deliver a comprehensive approach to upgrading the compartmentation, fire detection and fire safety communication. The work has also been designed to update and improve the look and feel of the communal areas with the view that by making these blocks a better place to live, a more effective approach to managing compliance and the culture of high-rise living for residents can be established.

Work undertaken differs, though all has been implemented by a specialist third-party accredited fire-safety framework contractor to ensure a fully compliant programme of improvements including:

- The installation of new 60-minute fire resistant flat entrance door assemblies
- The installation of new 60-minute fire resistant door assemblies to communal areas (including lift, flat, stairwell lobbies), riser cupboards and bin chute lobbies
- The rewire of communal areas to include smart emergency lighting and new steel containment to encompass all other communal area cabling (electrical, TV, BT, fire alarm, CCTV) and future-proof further installations
- The installation of new sub-mains to flats, including new consumer units within flats where necessary
- The installation of new door entry concierge systems and CCTV systems
- The installation of updated BT, HD terrestrial, SKY and where available, Virgin TV aerial systems fully contained and future-proofed to avoid retro-installations
- The upgrade or replacement of fire detection systems within communal areas to fully addressable systems
- The upgrade or replacement of fire detection systems in flats with hard-wired interlinked detectors
- The comprehensive upgrade or replacement of fire-sealing to service penetrations or areas of poor compartmentation, recorded on a fire-seal register and to a FIREAS standard
- The installation of new fire resistant bin chute hoppers, dampers and drench systems within bin storage areas
- The installation of new dry risers where required
- The installation of automatic opening smoke ventilation systems to stairwells and communal area flat corridors
- The provision of new statutory signage and specially designed fire action notices and way finding signage
- The complete redecoration of all communal areas to a Class-0 standard
- The renewal of all communal area flooring
- Completing daily inspections of every communal area and also increasing our checks of the fire alarms and other safety equipment

Much of the improvement work has been financed through the Housing Improvement Programme with an additional £2.5m aligned to specialist fire improvement work.

The Regulatory Reform (Fire Safety) Order 2005 requires authorities to undertake fire risk assessments to all buildings that contain communal areas and to carry out any remedial works identified. Risk assessments to assess sheltered housing schemes and temporary accommodation units have been completed and risk assessments for the other 270 low rise blocks are concluding. Any resulting works will be prioritised and acted upon according to the risk identified.

Garages

The HRA has a portfolio of 1846 garages across 146 sites of varying age and quality but the majority being of brick construction or having a concrete wall finish. Stock condition surveys have been undertaken on the garage blocks to determine the condition and repairs needed. Some garage blocks are of particularly poor quality or have the potential to offer development and other opportunities for Housing Services to consider. The average net weekly rent per garage in 2019/20 was £8.46. In January 2020 1499 were occupied, generating an estimated income of approximately £659,440 per year.

Environmental Standard

The quality of the external environment areas of the Councils housing contribute to how tenants view their neighbourhood. A detailed specification has been produced scoping out the standards that are desirable in contemporary living environments and, starting with our high rise living accommodation, we are commissioning surveys to determine the requirements for external works that are required.

Work includes:

- fence/wall repairs/replacements;
- path repair/replacements within the curtilage;
- communal area repair/refurbishment and storage provision if appropriate.

In addition, an Environmental Improvement budget has allowed for positive efforts to be made to improve the environment and appearance of housing estates and will also be used to provide greener spaces for our residents at the high rise blocks, we are assessing the possibility of the installation of facilities to improve the health and wellbeing of our residents, such as outdoor gyms, community gardens, in consultation with our local residents. We have carried out works at schemes where we have improved parking and lighting. In consultation with residents new planting has taken place, alongside community noticeboards.

Communication & Tenant Involvement

We are committed to working with, engaging and supporting tenants in their involvement with housing matters. We recognise that effective tenant participation is key to improving our customer focus and driving service improvements. We aim to deliver a wide range of opportunities for all tenants to engage with us by their preferred method. This enables tenants to become better informed and experienced, which in turn will help us deliver a better housing service that meets the needs of our tenants, residents, leaseholders and local communities.

The Department employs dedicated Tenant Engagement Officers who work closely with tenants and promotes opportunities for tenant engagement and involvement through a number of methods. For many years, the Council has had good links with its tenants working with them through a variety of forums.

Implications of Universal Credit

In order to mitigate and minimise some of the effects of Welfare Reform, the Council has undertaken a range of activities including regular training for Housing Staff to ensure that they are better equipped to help tenants deal with the changes and complexities of a new benefit system. Universal Credit full service has been running in the area covered by Warwick District Council from the 17 October 2018. The experience so far of Universal Credit has highlighted that more tenants are falling into an arrears position. The Department has been working closely with housing applicants and tenants as benefit claimants continue to be migrated onto Universal Credit. New tenants are being supported to manage their personal finances with everyone having a “financial check” which may prompt a referral to the in-house money advice officers.

The Department’s rent recovery procedure has been reviewed and continues to be monitored. The focus is on early intervention and checks have been put in place to ensure that tenants falling into arrears are fully aware of, and are encouraged to take support from, all avenues of assistance prior to the commencement of any formal possession procedures.

As at 21 January 2020, 786 of our own tenants in Warwick District Council are claiming Universal Credit and 555 are in arrears, of these tenants in receipt of Universal Credit, we receive direct payment of the housing element for 94 cases. There has been an increase in the level of rent arrears which has been exacerbated by the introduction of Universal Credit. The provision for bad debt for 2020/21 needs to remain at the level for the previous year.

Older Persons Housing

The Council’s sheltered housing service has, for many years, provided a service that is both popular and makes a significant difference to the quality of life of many older people; both in providing companionship and social contact and in providing safety and security. There is still a need and a demand for this type of model of accommodation. Service improvements have been agreed for our dispersed schemes and a stock option appraisal has been completed on the sheltered housing schemes. The Communal areas in our sheltered schemes are being refreshed and updated with fire safety works planned for each of the schemes, also the community centres associated with our dispersed active elderly stock are also being refurbished and updated in accordance with the fire safety works.

Disabled adaptations

£647,000 per annum has been allocated for the ongoing programme of adaptation work which benefits tenants who are in need of adaptations to their home to enable them to remain in their own home for as long as possible and promote independence. Whilst the majority of adaptations remain small scale such as ramps, handrails, etc., there is an increasing number of larger adaptations such as level access shower facilities and extensions being requested.

During 2019/20 we have fitted 40 Level Access Showers, 12 stairlifts and numerous ramps or grab rails fitted to assist tenants to live independently.

Staffing

Government policy is a major driver of the way in which local government works, and changes in policy or to legislation inevitably impact on services and the way that services are arranged. In addition, major events such as the tragic incident at Grenfell have caused landlords up and down the country to reflect not just on the physical characteristics of their high rise stock but also how those buildings and the immediate environment is managed. Other external factors such as a growing older population, changing household formations, Universal Credit and changing customer expectations all impact on the way that we shape and deliver our services.

We have also seen the number of homeless people on our streets growing to levels not experienced in the district in living memory and have adopted new approaches through our rough sleeper initiative to tackle this problem head on and to broker in support from a range of agencies.

In response to these challenges, staffing reviews of Housing Services have prompted restructuring the housing service functions. The restructure has provided an opportunity to modernise and professionalise the operation to create a range of housing services which are 'fit for the future' and has been designed to reflect current thinking in the field and upon a set of principles which encompass best practices. We are therefore introducing in 2020, new ways of working across the housing service enabling it to establish a new relationship with its customers.

The proposals are for change to the shape of current services, bringing benefits to the Council, its customers and its staff. In order to do this, there will be changes to staff structures, job descriptions and reporting lines; operational practice; and, policy change.

Rent Setting Policy

Local authorities and housing associations are responsible for setting the rents for social housing properties as laid out in the Rent Standard 2020, which has been established by the Regulator of Social Housing, which we as a Local Authority now applies to all Local Authorities. The standard set out the government's rent policy for social housing for the next five years and covers all areas of rent setting as well as the requirement for RSH to undertake the regulation of local authority rents for the first time. The RSH have stated that social rents can, until 2025, be increased by up to CPI +1%

As part of the stress testing of the Business Plan, the Council has modelled a range of possible scenarios, specifically in relation to the annual rental uplift mechanism in order to assess the cumulative impact on its Rental Income over the 30-year period.

The HRA Housing Capital Investment Programme

The proposed HRA Capital Investment Programme has been revised from a 5 year to a new 10-year scheme to ensure sufficient budget is in place to complete the require Fire Safety and Climate Emergency works and is detailed in Appendix 5 accompanying the Housing BP