

Housing Revenue Account Business Plan

Self Financing Business Plan 2012 - 2042

Introduction

Background

The Housing Revenue Account (HRA) Business Plan covers the 30 year period (5 year detailed) 2012/13 to 2042/43. The plan concentrates on activities related to the management and maintenance of the Council's housing assets and the delivery of new affordable housing within the HRA. The Cornish Housing Standard (Asset Management Strategy) is a crucial element of the HRA Business Plan as it sets out the quality standards for our housing stock and details the programme of works required to meet the standard over the first 5 years of the plan.

Self-financing Housing Revenue Account

In April 2012, the HRA subsidy regime was replaced with a locally managed self-financing system. The Council now collects and retains all of the rental income from its housing assets and must therefore plan for its management, maintenance and improvement over a 30 year rolling period. HRA reform has enabled the Council to take control of its housing assets. The Council is able, with appropriate rent setting policies, use of headroom and efficient operation of the HRA, to:

- Generate a land and acquisitions reserve to fund our new build programme
- Deliver the Cornish Housing Standard in the first 5 years of the plan
- Deliver quality services to our tenants

The Housing Revenue Account (HRA) Business Plan provides Tenants, the Council and its partners with the strategic direction and priorities for its landlord services. The HRA Business Plan has always been a key document in the management of the housing landlord service. Its importance is enhanced with the introduction of self financing where it can be more actively managed. The HRA Business Plan:

- is the financial tool to manage the landlord and tenant functions of the Council and CHL
- provides financial advice to inform the Council's strategic housing role
- guides the asset management strategy, creating investment boundaries
- is developed in consultation with Tenants and Members; determining the balance of resources between investment in existing and new stock and day to day services
- provides accountability to Tenants on performance and value for money

Ourselfs

In April 2012 Cornwall Council bought itself out of the subsidy system and now operates a self financing HRA. The Council needs to articulate its priorities for housing landlord services in a written business plan; ensuring that those priorities are affordable and deliverable.

Our ALMO

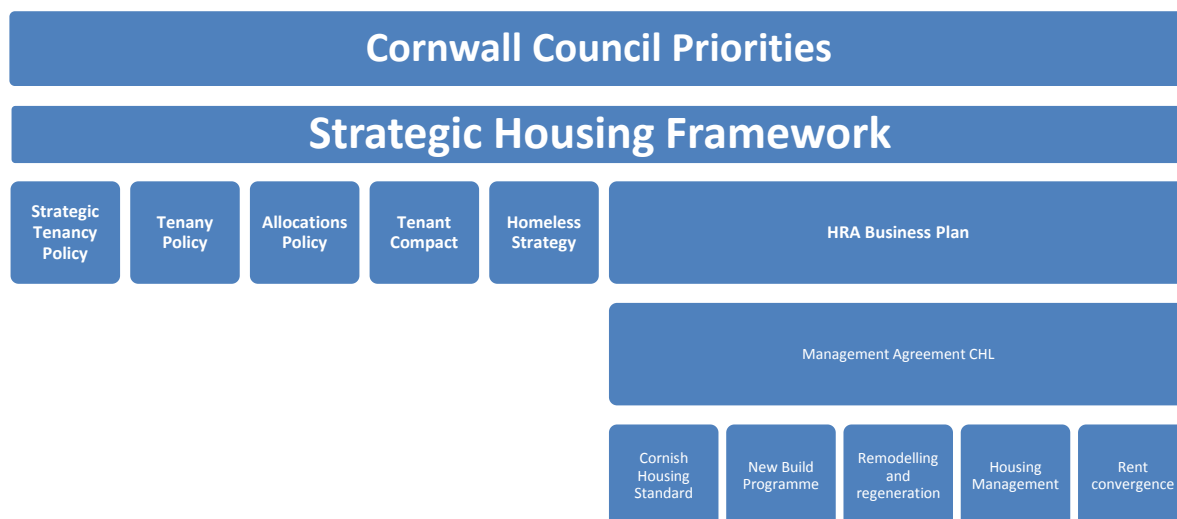
In April 2012 the Council created CHL to manage and maintain its 10,500 homes. The HRA Business Plan provides CHL with the strategic direction for landlord services; enabling the company to deliver improvements to homes and services in accordance with the priorities of tenants and the Council.

Our Tenants

We will make landlord services simple to access and provide support to tenants that really works. At the same time, we need to prioritise the resources we have in consultation with our tenants. We will monitor performance and value for money so that tenants can hold us to account.

The bigger picture: Where the HRA fits

Housing has an impact on, and is affected by, a broad range of other areas of work. It is important for us to understand these relationships and work closely with our colleagues in these other services and organisations to ensure that we are supporting each other's work.



How has the Council responded to National Policy?

National Housing and Welfare Policies will deliver significant changes to the housing sector; the Council will need to update local policy and mitigate the risks faced by tenants and the organisation to ensure delivery of the business plan.

The Localism Act

The [Localism Act 2011](#) has far reaching implications for social landlords, including:

- Tenure Reform
The Council updated its Tenancy Policy in April 2012, a copy of which can be found [here](#).
- A Duty to write and publish a Strategic Tenancy Policy
The Council has developed and published a [Strategic Tenancy Policy](#).
- Freedoms and flexibilities in the setting of local allocations policies
The [Allocations Policy](#) was refreshed in 2012 to update bedroom eligibility standards and to give additional preference to the Armed Forces. The policy is currently being reviewed to assess which freedoms and flexibilities are appropriate for the Council and its partners, with a completion date of July 2014.
- Move from housing subsidy regime to self-financing system
The Council bought itself out of the housing subsidy regime in April 2012 and now operates a self-financing HRA
- Increased scrutiny arrangements for tenants

The Council has signed a [Tenant Compact](#) with Tenants and Cornwall Housing Ltd which ensures effective consultation and communication with our tenants.

Welfare Reform

[Welfare Reform](#) is aimed at reducing the overall benefits bill and making work pay. The changes will be implemented at different times, with exact dates to be announced. The main changes include:

- Creation of Universal Credit which will cap the overall amount of benefits individuals and families can claim
- Ending housing benefit and direct payments to landlords
- Limiting housing benefit for working age tenants so it only covers the size of property they are judged to need

A significant risk for the Business Plan is the collection of rental income as tenant's income reduces or when they are expected to take ownership and manage budgets directly. The Business Plan has been modelled on a medium to high risk projection of rental loss, with an appropriate contribution to the bad debt provision to reduce this potential impact on the business plan.

Right to Buy

[Right to Buy](#) has been reinvigorated and encourages more tenants to exercise their Right to Buy their Council house by increasing the maximum discount to £75,000. Sales of Council Houses have been minimal in recent years; however the increased discount has seen an upward shift in the number of applications for sales taking place in 2012/13. The Council predicts that sales may reach 40 homes in 2013/14.

The Council has signed an agreement with the Department of Communities and Local Government to retain the additional capital receipts generated from Right to Buy sales. The capital receipts will be used to develop new affordable housing in Cornwall.

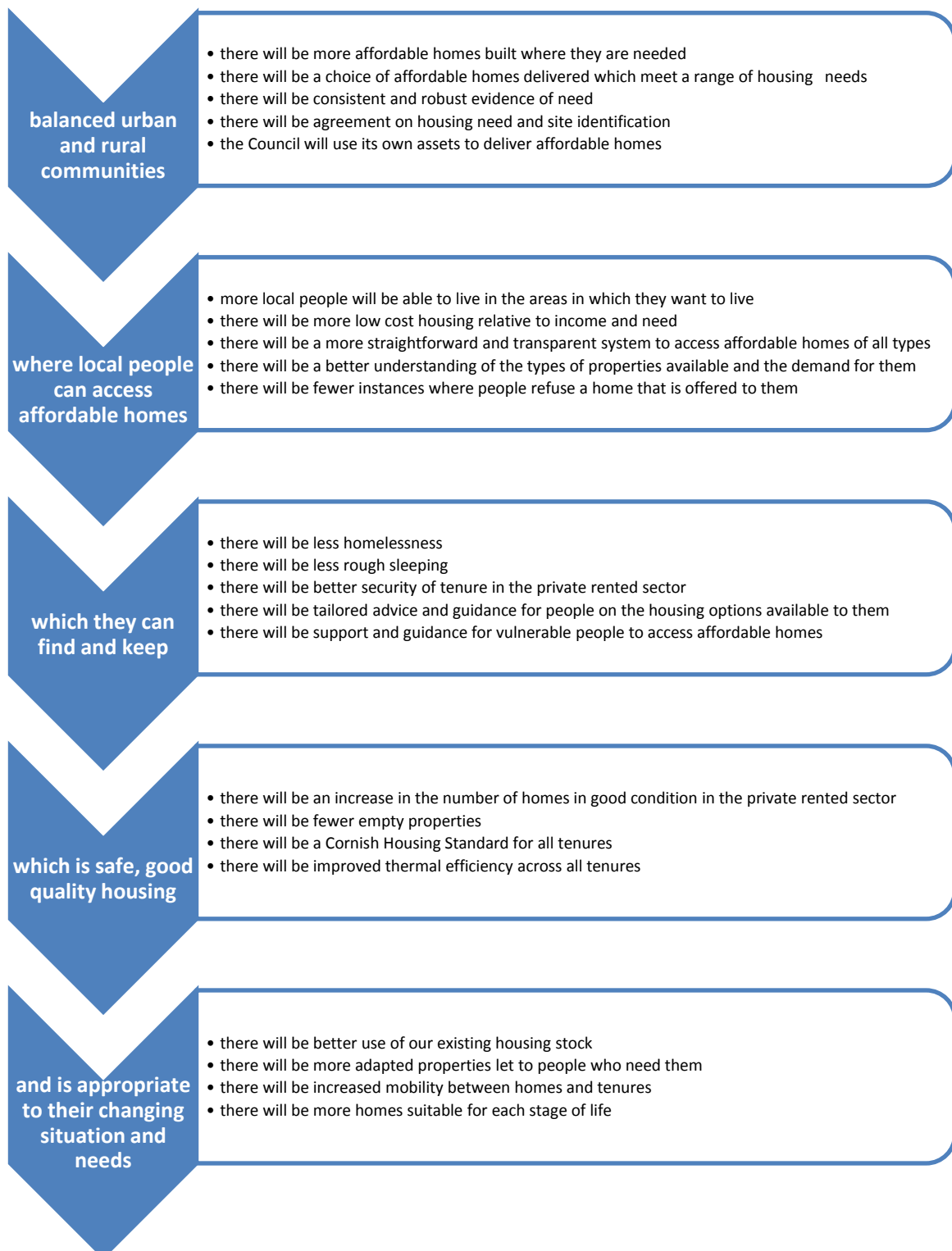
Rent Reform

Since 2001, rents for social housing have been set based on a formula determined by Government. The formula rent for each property has been based on the value of the property, local earnings and property size. These rents are known as social rents. The intention of formula rent was to 'converge' social rents for similar properties in similar areas by 31st March 2016. Rent reforms propose to:

- Allow social landlords to charge tenants in social rented housing with high incomes (over £60,000) a fairer rent level
- Set a new rent policy to apply for 10 years (up to March 2025)
- Set rents in the social sector by CPI + 1% annually
- The removal of convergence from 1st April 2015

What are the Councils Strategic Housing Priorities?

The Councils Strategic Housing Framework has set a vision for the housing sector in Cornwall: 'to provide homes where people can thrive'. The Strategic Housing Framework will not replace or duplicate other strategies or documents of the Council or Cornwall Housing Ltd (CHL), but will provide a structure so that services complement and support each other, ensuring that we are all working towards the same outcomes:



What are our HRA Business Plan Priorities?

In April 2012 the Council bought itself out of the HRA subsidy system; and now operates a self financing HRA. The Council, through its strategic housing role and the development of its housing investment plan, determined as part of the 2012 budget setting process that the following Corporate and Tenant priorities should be delivered via the HRA:

- The Delivery of the Cornish Housing Standard within 5 years
- The Delivery of 188 new affordable homes
- The remodelling of older persons accommodation
- Services continue to be delivered to standards agreed with tenants
- To converge rents by 2014
- Mitigate some of the risks associated with Welfare Reform and the impact on income collection to the HRA

Why do we have a Housing Revenue Account Business Plan?

The Council owns approximately 10,500 homes, which are managed and maintained via a ring fenced budget called the Housing Revenue Account (HRA). The HRA's income is derived from rents and service charges, charged to the tenants of our housing stock. The income received into the HRA must then be managed to ensure that the Council can provide its tenants with well maintained and managed homes now and into the future.

The HRA Business Plan is the main financial tool used to manage the housing landlord business, setting the priorities for spend and the plans and actions for Council housing over a 30 year period (5 year detailed). The Business Plan will demonstrate that we can maintain our existing housing assets, build new homes and provide quality, customer focused services to our tenants.

The importance of the HRA Business Plan is enhanced since the introduction of self-financing. The new system of self-financing, introduced in April 2012, led to the Council buying itself out of the housing subsidy system. The Council now has full responsibility for the financial management of the HRA and has a business planning process in place to ensure that the priorities of the plan are affordable and deliverable.

Process for developing the HRA Business Plan

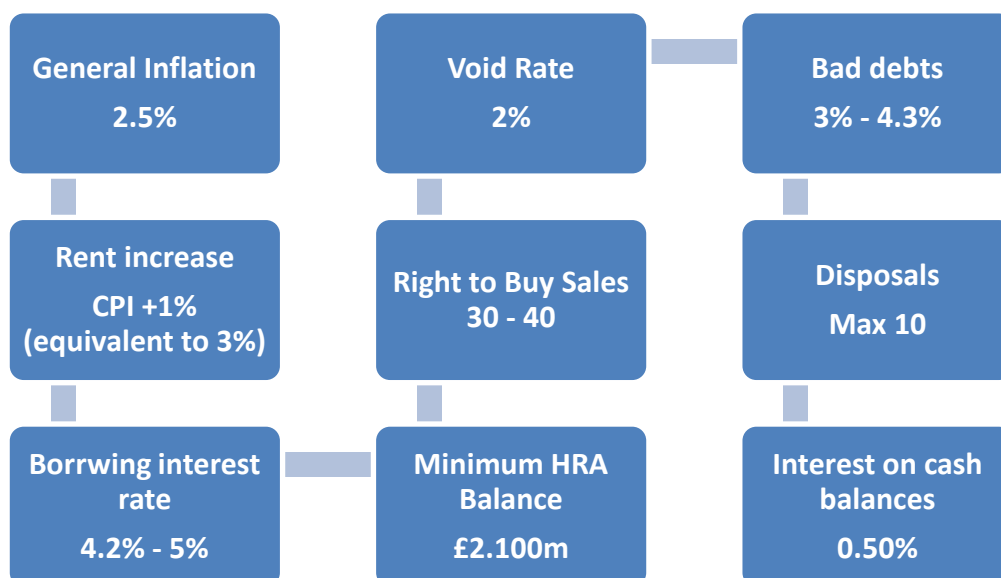
The HRA Business Plan has been developed in partnership with Tenants, Members and the Board of Cornwall Housing Ltd; through a series of meetings and engagement sessions. The consultative approach led by Tenant Engagement Officers means that the Business Plan objectives are supported by all of our key stakeholders who have an appreciation of the income requirements to deliver our priorities.



Housing Revenue Account Resources

The introduction of self-financing resulted in the Council taking on an additional £82.185m of additional debt from central government in April 2012; the benefit of this is that the Council no longer has to pay the government an annual negative subsidy payment which was in the region of £7.800m. On top of this the Council has the ability to draw down further debt of £13.275m taking us up to the headroom limit of £126.698m.

This has resulted in the Council having a strong revenue and capital projection moving forward. There are a number of financial risks which need to be factored into the Business Plan; the Council has made the following assumptions when modelling the plan:



The Business Plan funds our objectives from 2013/14 to 2017/18 as follows:

The Cornish Housing Standard

The Cornish Housing Standard sets the quality standard to improve Council Housing stock across Cornwall. The standard was created in partnership with tenants; with consultation taking place at every stage of its development. The standard is the Council's benchmark for the quality of its houses, raising the bar above the level originally set by the Government's Decent Homes Standard in 2001. The new standard will apply to both the Council's existing stock, as well as to the new homes planned for development. Further detail on the Cornish Housing Standard can be found [here](#).

The Council has agreed that self financing headroom will be used to accelerate the Cornish Housing Standard, alongside revenue contributions to Capital, with plans for all homes owned by the HRA to meet the standard within 5 years; we are in year 2 of delivery, with 23% of homes meeting the standard at the end of year 1. The cost of delivering the Cornish Housing Standard is projected at approximately £63m, further detail can be found at Appendix 1.

New Build Programme

The Council is committed to the delivery of affordable homes to meet a variety of local housing needs. The Housing Investment Plan adopted as part of the Council's budget in February 2012 outlines the funding streams and mechanisms for delivery. The plan commits the Council to the delivery of 4,000 new affordable homes¹ over 4 years; 3,000 of which are for rent.

The ability to draw down additional borrowing as part of the self financing settlement has enabled the Council to develop a new build programme of 188 homes; all of which will be owned by the HRA and let at social rent levels using

¹ Affordable homes: a mix of social rent, affordable rent and low cost home ownership homes.

secure tenancies. We are in year 1 of delivery with 9 homes on site. The cost of delivering the social rent programme is projected at approximately £20m, further detail can be found at Appendix 1.

Remodelling and Regeneration

It is recognised that not all of the existing stock will remain fit for purpose over the life of the 30 year business plan, and that decisions will need to be made around the use of that stock. One such area is older person's accommodation which will be considered for use as general needs accommodation or remodelled to make it fit for purpose for our older tenants. Provision has been made in the business plan to remodel older person's accommodation where it is economically viable to do so with £1.350m earmarked for this purpose. Further detail can be found at Appendix 1.

Rent Setting Policy

The Councils HRA business plan is based on hitting convergence in April 2016 with 99% of properties converging in April 2015. The move to CPI from RPI is unlikely to have a material impact on the current projections in the HRA business plan. However the end of rent convergence in 2014-2015 would mean that only 1% of properties will have reached the formula (or target) rent. This would mean that the Council would be collecting less rent than the business plan has modelled to deliver our priorities. Members and Tenants have supported a move to target rent in April 2014 to ensure income levels sustain the current business plan model. The rent setting policy for the Council will be:

- Rent increase to RPI + 0.5% +/- an adjustment factor to reach formula rent from 1st April 2014
- Rent increase to CPI + 1% from 1st April 2015

There will be Taper Relief offered to approximately 338 tenants of properties where moving to formula rent would mean an increase of more than £5.00 per week. Effectively restricting the increase to a maximum of £5.00 for all tenants in 2014-2015.

Treasury Management

The Council bought itself out of the HRA subsidy system in April 2012 making a payment of £82.185m to the Department of Communities and Local Government. The self-financing valuation of the Council's housing stock was made by government using a discounted cash flow model. The model was based on assumptions about rental income and expenditure required to maintain the Council's housing stock over the following 30 year period. It determined the settlement payment to government of £82.185m and also the upper limit (headroom) on housing debt that the Council may hold under the HRA £126.698m. In order to finance the additional borrowing, the Council explored a number of treasury management options and determined that the Council's pooled loan facility (known as a 'single pool approach') would provide the best option for Cornwall now and into the future.

Performance Monitoring

The business plan is a dynamic, working document. As such it is essential that it is regularly reviewed and updated. The HRA business plan will be monitored against the Council's strategic housing priorities and the performance measures (appendix 2) in place. It is not intended that the Council will monitor the day to day delivery of the plan by CHL; it will focus on service outcomes and financial performance.

Performance Reporting

The client team will work closely with CHL on an annual and quarterly basis to ensure that the delivery plan, annual service plans and targets adequately reflect the Council's strategic housing priorities, and performance requirements.

On a monthly and quarterly basis, CHL will report a single set of operational performance data and a single set of financial performance data. These will be delivered in an agreed format and the same single set of data will be used to supply a number of groups and meetings.

Capital Investment Programme

CHL will produce a programme of capital works that is required to deliver the Cornish Housing Standard and other priorities as set out in the capital programme. This will form the basis of the annual programme of investment that would be agreed prior to the start of the financial year.

Financial Reporting

The Council will seek assurance on the business and financial health of CHL through performance management arrangements. This will include the evaluation of revenue and capital expenditure, financial management and performance, annual budgets, operational plans, income collection and annual accounts.

Business Plan Assumptions

The assumptions used to model the business plan will be reviewed at our quarterly HRA business planning meetings to ensure that they are still accurate and affordable. Of particular interest will be the impact of welfare reform to our income collection and bad debt provision.

Governance and Tenant Involvement

Governance – How Council Decisions are made

Governance is how the Council operates and makes decisions. It makes sure that decisions take public opinion into account, reflect and respond to the needs of local people and are transparent and accountable.

Our system of Governance

We have 123 Councillors representing Cornwall and together they form full Council. Full Council meets approximately every six weeks. They set the budget for the year as well as the business plan, which sets out the policies and plans the Council wants to achieve.

Our governance structure is a leader and modified cabinet. Full Council elects a Leader who is then re-elected annually. The Leader chooses nine Councillors to form a Cabinet. The Cabinet's responsibilities are divided up into portfolios and each cabinet member is responsible for a portfolio of work. The Leader and Cabinet take decisions to deliver the business plan and these must be within the budget set by full Council.

Homes and Communities Portfolio Advisory Committee (PAC)

For each Portfolio area, there is a Portfolio Advisory Committee (PAC). They provide support and challenge to the portfolio holders. Each PAC has 10 non executive members and is chaired by a nominated Councillor who is not the portfolio holder. These committees enable Councillors to participate more widely in policy development and performance management. They also provide an opportunity to have discussions on work undertaken by Councillors through partnerships and other organisations the Council is involved with. Directors and other chief officers may also attend as and when requested.

Tenant Engagement

Designed to build trust, ensure effective tenant participation and to foster co-operation between Cornwall Council, Cornwall Housing, and their tenants and leaseholders, the Cornwall county-wide [tenant participation compact](#) was formally adopted by the Chairman of the Cornwall Housing Board and the two elected Area Committee Chairs of the Cornwall Housing Tenants' Forum.

Council tenants worked hard with [Cornwall Housing](#) to develop the singular Tenants' Compact which is an agreement between council Tenants, Cornwall Housing and Cornwall Council about how they will work together in partnership to develop, shape and improve services for tenants and leaseholders across Cornwall.

The aim of the Tenants Compact is to ensure that every tenant enjoys a safe, secure and affordable home in an agreeable environment as well as providing an assurance for tenants that they can influence and shape Cornwall Housing's services.

Disposals

The Council and CHL will always seek to provide the most suitable homes for our customers' needs. There are many types and ages of homes owned by the Council, not all of which will be suitable in the short, medium or long term. The Council and CHL, is committed to providing homes that are affordable, high quality and secure, whilst making best use of its assets to deliver a fit for purpose property portfolio.

There will be occasions where certain assets (homes) should be recommended for disposal:

- The property is vacant; has been vacant for more than 6 months and is deemed a 'hard to let' property.
- The property is in an area of low or no demand
- The cost of investing in the property is not beneficial, where substantial investment requirements exceed the actual value of the property
- The property is of listed status and it is therefore not possible to improve in line with the Cornish Housing Standard
- The income generated is not equivalent to that which could be achieved by disposal and subsequent investment of the capital receipt
- The disposal or demolition of the property may allow for regeneration or remodelling to provide better accommodation

Where homes are recommended for disposal the capital receipt will be used to provide additional affordable homes; in the first instance the receipt will be allocated to the HRA land and acquisitions reserve to support the Councils new build affordable housing programme.

Appendix 1: Landlord / Tenant - Performance Indicators & Welfare Reform monitoring

Indicator Title	Target 2013/2014	Qtr 1 2013/2014	Qtr2 2013/2014
Proportion of council homes that meet the Cornish Housing Standard	40%		
Council Homes - Average time taken (in days) to re let empty property	19 days	22.8 days	23.3 days
Number of new starts on site	9		
Proportion of rent collected excluding void rent loss	100%	99.92%	99.62%
Current tenant arrears as percentage of rent debit	2.42%	2.3%	2.3%
Total value of former tenant arrears recovery	£70,000	£18,459	£44,416

Measure Title	Qtr 1 2013/2014	Qtr2 2013/2014	Direction travel ↑ improved ↓ worsened
Total under-occupancy tenancies	949	918	↑
Total under-occupancy tenancies in arrears	562	677	↓
Total under-occupancy arrears value	£130,211.00	£141,760.00	↓
Under-occupancy arrears variance	£37,040.00	£48,589.00	↑
Under-occupancy arrears with a repayment plan	213	371	↑
under-occupancy arrears without a repayment plan	349	306	↑

Measure Title	Qtr 1 2013/2014	Qtr2 2013/2014	Direction travel ↑ improved ↓ worsened
Under-occupancy tenancies issued with Notice seeking possession orders	3	13	↓
Number of non under-occupancy tenancies in arrears	2937	2870	↑
Total non under occupancy arrears value	£781,000.00	£751,000.00	↑
Non under-occupancy arrears variance	-	-£30,000.00	↑
Total value of arrears across all tenancies	£911,000.00	£893,000.00	↑