

The Vale of Glamorgan Council

Cabinet Meeting: 22 February, 2016

Joint Report of the Leader and the Cabinet Member for Housing, Building Maintenance and Community Safety

Housing Business Plan 2016

Purpose of the Report

1. To present the [Housing Business Plan](#) 2016 to Cabinet

Recommendation

1. That Cabinet recommend the Housing Business Plan 2016 to Council for approval.

Reasons for the Recommendation

1. To obtain approval for the Housing Business Plan 2016.

Background

2. The Welsh Government (WG) requires all local authorities who retain their housing stock to submit annually an acceptable Housing Business Plan that incorporates a detailed financial forecast in the form of a 30 year financial model.
3. The Business Plan is the primary tool for a local authority's housing landlord service and includes all assets within the Council's Housing Revenue Account (HRA).
4. The submission deadline is 29th February 2016. The submission will then form the basis of the Major Repairs Allowance (MRA) grant application, a pivotal financing component for the Housing Improvement Programme.

Relevant Issues and Options

5. The financial model used incorporates the most recent investment requirements based on the Council's Keystone Asset Management System and any other known issues.

6. Average 2016/2017 rents are £87.69 calculated on a 52 week basis (equivalent 50 week average rent would be £91.21). Rents are assumed to increase by inflation plus 1.5% annually until 2018/2019, when the increase will revert to inflation plus 1%. These assumptions are in line with WG Policy on Social Housing Rents.
7. The Major Repairs Allowance is £2.76M per annum. No inflation has been assumed on this grant.
8. The Plan is able to afford a new build and regeneration scheme of £22.53M in the first 5 years to 2020/2021, and a further £145.5M in years 6-30.
9. All other revenue income and expenditure is based on the 2016/2017 budget.
10. The provision for doubtful debts has remained at 6% of rental income to allow for the negative impact of Welfare Reform and in particular, Universal Credit on rent collection. The provision was increased to 6% originally in 2015/2016 but was not required as the Universal Credit roll out did not occur. It is seen as prudent therefore, to maintain the provision with a reduction to 3% from Year 2 (2017/2018) onwards.
11. The latest projections are attached at [Appendix F\(i\)](#) and [F\(ii\)](#) to the Business Plan. The total amount of debt outstanding in any year will be £103.7M, which is the Limit on Indebtedness set during the HRA Subsidy Buy-out on 2nd April 2015.
12. A summary of the movement in the financial position is included in the table below:-

	December 2014 Business Plan	February 2016 Business Plan	Difference
WHQS Target	April 2017	April 2017	No Change
Revenue Surplus at year 30	£142.2M	£127.7M	-£14.5M
Repayment of Debt	Year 25	Year 30	+5 years
Peak Debt	£101.2M	£102.8M	+£1.6M

The main reason for the differences is due to the actual subsidy buyout deal being less favourable in terms of loan profile and interest rates than originally assumed. This has caused greater than anticipated charges to the Housing Revenue Account for Debt Charges. Therefore, less revenue resources are available for capital expenditure, and so more borrowing is required to sustain the same level of investment.

Sensitivity Analysis

13. There are a number of risks associated with the assumptions used in the financial projections for the business plan. The results are shown at [Appendix H](#) to the plan.
14. The Business Plan is most sensitive to the cessation or reduction of the Major Repairs Allowance (MRA) and a reduction in annual rental increases. Sensitivities 5 and 6 explore these risks and the level of investment currently identified in the Plan would not be affordable without a breach of the Limit of Indebtedness. In addition the HRA Revenue Surplus at year 30 is considerably reduced.

Resource Implications (Financial and Employment)

15. In broad terms the Housing Business Plan is both viable and sustainable in terms of meeting the Council's obligations on WHQS for existing stock, the level of debt, and the potential for New Build and Regeneration.
16. Given the forecasted surpluses, the availability of resources to meet the Council's obligation should be relatively resilient to changes in financial conditions.
17. The figures in the Housing Business Plan are based on current projections and if the financial conditions should worsen then the level of investment proposed may not be achievable.

Sustainability and Climate Change Implications

18. The principles of sustainability run through the Housing Business Plan and the delivery of the Welsh Housing Quality Standard. Communities will be strengthened by having access to good quality housing in safe and secure environments. With regard to WHQS works, key performance indicators are in place to monitor contractors against community impact and environmental impact.

Legal Implications (to include Human Rights Implications)

19. It is a legal requirement of the Welsh Government that each local authority produces a Business Plan and 30 year financial forecast describing how it will provide the investment to meet the Welsh Housing Quality Standard. Crime and Disorder Implications

Crime and Disorder Implications

20. Many of the requirements of the WHQS contribute to the Crime and Disorder agenda, in particular, the requirements of safe and secure dwellings located in safe and attractive environments.

Equal Opportunities Implications (to include Welsh Language issues)

21. The Housing Improvement Programme improves the Council's opportunities for assisting disadvantaged members of society.

Corporate/Service Objectives

22. Meeting the WHQS and the Housing Improvement Programme contributes to the Council's corporate priority that the Vale of Glamorgan residents have access to affordable, good quality suitable housing and housing advice and support.

Policy Framework and Budget

23. This report is a matter for Executive decision.

Consultation (including Ward Member Consultation)

24. The Leader and Cabinet Member for Housing, Building Maintenance and Community Safety have been consulted.

Relevant Scrutiny Committee

25. Corporate Resources

Background Papers

Housing Business Plan - December 2014

Contact Officer

Lori Bigglestone- Accountant

Officers Consulted

Hayley Selway - Head of Housing & Building Services
Mike Ingram - Operational Manager Public Housing Services
Andrew Treweek - Operational Manager Building Services
Richard Stopgate - Asset Manager

Responsible Officers:

Miles Punter - Director of Environment & Housing Services
Rob Thomas - Managing Director