

## **The Vale of Glamorgan Council**

### **Cabinet Meeting: 3 April, 2017**

### **Joint Report of the Leader and the Cabinet Member for Housing, Social Care and Health**

### **Housing Business Plan 2017**

#### **Purpose of the Report**

1. To present the Housing Business Plan 2017 to Cabinet.

#### **Recommendations**

1. That Cabinet recommend the Housing Business Plan 2017 attached at [Appendix A](#) to this report to Council for approval.
2. That the use of article 14.14 of the Council's Constitution (urgent decision procedure) be authorised to enable a draft copy of the Housing Business Plan 2017 to be sent to Welsh Government on 3rd April 2017 with the proviso that a final version will be sent following Council approval on 26th April 2017.

#### **Reasons for the Recommendations**

1. To obtain approval for the Housing Business Plan 2017.
2. To meet Welsh Government submission deadlines.

#### **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. Guidance for the submission of the Housing Business Plan was received from Welsh Government on 23rd February 2017, with a submission deadline of 31st March 2017. This is the first Cabinet that the Business Plan could be practically presented to, however, it also requires approval by Council. It has been agreed with Welsh Government that they will accept a draft copy of the Housing Business Plan to be submitted on 3rd April 2017 following approval of this Cabinet meeting, with the proviso of the final version being sent following Council approval on 26th April 2017. In order to achieve this, it is requested the use of article 14.14 of the Council's Constitution (urgent decision procedure) be authorised.
5. 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

6. The financial model used incorporates the most recent investment requirements based on the Council's Keystone Asset Management System and any other known issues.
7. Average 2017/18 rents are £90.77 calculated on a 52 week basis (equivalent 50 week average rent would be £94.40). Rents are assumed to increase by inflation plus 1.5% annually until 2018/19, when the increase will revert to inflation plus 1%. These assumptions are in line with WG Policy on Social Housing Rents.
8. The Major Repairs Allowance has not yet been allocated by Welsh Government. It has therefore been assumed in the Plan as £2.77m per annum, in line with the award for 2016/17. No inflation has been assumed on this grant.
9. The Plan is able to afford a new build and regeneration scheme of £28.02m in the first 5 years to 2021/22, and a further £177.65m in years 6-30.
10. All other revenue income and expenditure is based on the 2017/18 budget.
11. 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 2015/16 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 (2018/19) onwards.
12. 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 not exceed £103.72m, which is the Limit on Indebtedness set during the HRA Subsidy Buy-out on 2nd April 2015.
13. A summary of the movement in the financial position is included in the table below:-

	February 2016 Business Plan	February 2017 Business Plan	Difference
WHQS Target	April 2017	September 2017	Plus 6 Months
Revenue Surplus at year 30	£127.7m	£86.97m	-£40.73m
Repayment of Debt	Year 30	Year 28	2 Years
Peak Debt	£102.8m	£98.4m	-£4.4m

14. The main reason for the reduction in the revenue surplus is due to additional investment being allocated to the new build programme. The reduction in debt is due to additional revenue contributions being made available and thus reducing the need to use debt as a source of funding.

### Sensitivity Analysis

15. There are a number of risks associated with the assumptions used in the financial projections for the Business Plan. The Council therefore needs to undertake sensitivity analysis to examine the impact of various scenarios on the ability to deliver the Plan. Welsh Government guidance provides a list of 6 scenarios that they require to be modelled and assessed over the first 10 years of the Plan. This is in

addition to any others scenarios considered necessary by the Council. The results are shown at Appendix H to the Plan.

16. The Business Plan is most sensitive to the following two scenarios:
- Sensitivity 6 - The combined effect of a 1% increase to repairs, maintenance, WHQS and management costs, increased rent loss of 2% and rental income being restricted to CPI only.
  - Sensitivity 9 - The cessation of the Major Repairs Allowance (MRA).
  - Sensitivities 6 and 9 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. Under both of these scenarios, WHQS can only be met and maintained within the debt cap if there is a significant reduction in the number of new build developments and/or a reduction of regeneration works.

### **Resource Implications (Financial and Employment)**

17. The Housing Business Plan is both viable and sustainable in terms of meeting the Councils obligations on WHQS for existing stock, the level of debt and the potential for New Build and Regeneration.
18. Given the forecasted surpluses, the availability of resources to meet the Councils obligation should be relatively resilient to changes in financial conditions.
19. 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 and mitigating actions will need to be undertaken e.g. a reduction in the new build programme. The Plan does cover a 30 year period and will be reviewed on an annual basis and can be amended accordingly to meet any future changes in conditions.

### **Sustainability and Climate Change Implications**

20. 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)**

21. It is a legal requirement of the Welsh Government for each Local Authority to produce a Business Plan and 30 year financial forecast, describing how it will provide the investment to meet and continue to meet, the Welsh Housing Quality Standard.

### **Crime and Disorder Implications**

22. 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)**

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

## **Corporate/Service Objectives**

24. Wellbeing outcome 1: An inclusive and Safe Vale.  
Objective 2: Providing decent homes and safe communities.

## **Policy Framework and Budget**

25. This report is a matter for Council decision.

## **Consultation (including Ward Member Consultation)**

26. No individual ward member consultation has been undertaken as this is a Vale wide matter.

## **Relevant Scrutiny Committee**

27. Homes and Safe Communities

## **Background Papers**

Housing Business Plan – February 2017

## **Contact Officer**

Andrew Treweek – Operational Manager - Building

## **Officers Consulted**

Operational Manager - Public Housing Services  
Operational Manager - Accountancy  
Operational Manager - Legal Services  
Asset Manager

## **Responsible Officer:**

Miles Punter - Director of Environment and Housing Services