

Meeting of:	Cabinet
Date of Meeting:	Monday, 22 February 2021
Relevant Scrutiny Committee:	Homes and Safe Communities
Report Title:	Housing Revenue Account Business Plan
Purpose of Report:	To present the Housing Revenue Account Business Plan 2021 for Approval
Report Owner:	Cabinet Member for Housing and Building Services
Responsible Officer:	Miles Punter - Director of Environment and Housing
Elected Member and Officer Consultation:	The Leader of the Council Cabinet Member for Housing and Building Services Head of Housing and Building Services Operational Manager Accountancy Operational Manager Legal Services Asset Manager Operational Manager - Public Housing Services
Policy Framework:	This report is a matter for Council decision
<p>Executive Summary:</p> <ul style="list-style-type: none"> • This report sets out the Council's 30-year business plan for housing in support of the Council's continued MRA (Major Repairs Allowance) investment from Welsh Government. • Welsh Government (WG) requires all local authorities with retained housing stock, to submit a fit for purpose annual Housing Business Plan, incorporating a detailed financial forecast in the form of a 30-year financial model. • The Business Plan incorporates a forward statement from the Leader of the Council and the Cabinet Member for Housing and Building Services, reflecting the work being undertaken during the pandemic and to continue to develop sustainable communities and deliver key services. • Guidance for the submission of the Housing Business Plan was received from Welsh Government in December 2020, with a submission deadline of 31st March 2021. • Welsh Government has requested specific content for the Business plan on this occasion relating to the considerations given to Brexit and difficulties caused through the pandemic. To this end, the business plan is a smaller focused document covering the key areas of interest. 	

- The Housing Business Plan is both viable and sustainable in terms of meeting the Council's obligations under WHQS for existing stock, and also provides consideration on the investment needed to respond to climate change, new build and regeneration whilst managing the level of debt within the HRA.

Recommendations

1. That Cabinet approves the Housing Business Plan 2021/51 attached at Appendix 1 to this report.
2. That the report be submitted to full Council for approval prior to submission to Welsh Government

Reasons for Recommendations

1. To obtain Cabinet approval for the Housing Business Plan 2021/51 prior to referral to Council.
2. To obtain Council approval for the Housing Business Plan 2021/51 prior to submission to Welsh Government.

1. Background

- 1.1 The Welsh Government (WG) requires all Local Authorities who retain their housing stock to submit annually an acceptable Housing Business Plan incorporating a detailed financial forecast in the form of a 30-year financial model.
- 1.2 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).
- 1.3 The Business Plan must be submitted to WG by 31st March 2021 and requires approval by Council.
- 1.4 The submission will then form the basis of the Compensation Award (formerly Major Repairs Allowance MRA) grant application, a pivotal Welsh Government financing component for the Housing Improvement Programme.

2. Key Issues for Consideration

- 2.1 The financial model used incorporates the most recent investment requirements based on the Council's Keystone Asset Management System and any other known issues which are likely to influence the future of the Council's housing stock.
- 2.2 Gross average rents for standard stock units are £101.25 in 2021/22 calculated on a 52-week basis. After 2021/22 rents have been assumed to increase by CPI + 1% as per WG Business Plan Guidance.
- 2.3 The Compensation Award has not yet been advised by WG. It has therefore been assumed in the Plan as £2.76m per annum, in line with the award for 2020/21. No inflation has been assumed on this grant.

- 2.4 The Plan is able to afford new build and acquisition schemes of £233m over years 1 – 30.
- 2.5 All other revenue income and expenditure is based on the 2020/21 budget.
- 2.6 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, with a reduction to 3% from 2022/23 onwards. This may be adjusted in future years to respond to the Governments recent announcement to delay full roll out of Universal Credit until 2024.
- 2.7 The latest projections are attached at Appendix A(i) and A(ii) to the Business Plan. Peak debt through the current plan is achieved in year 20 at a total of £192m, this clearly exceeds the previous restrictions presented by the HRA Cap; but remains affordable through prudential borrowing principles.
- 2.8 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. WG guidance requires authorities to model scenarios that are considered relevant to the Plan. The results are shown at appendix B to the Plan.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1 Looking to the long term, the Housing Revenue Account Business plan projects the investment required to maintain improve and develop new housing stock and explores the sensitivities in being able to deliver on such proposals. This means planning for the future and taking a strategic approach to ensure housing services are sustainable and meet the future need and demand for Housing.
- 3.2 By taking an integrated approach to public housing, through investment in the current housing stock, it is recognised the Council cannot fully address all social housing issues. It is therefore essential to continue to work with our RSL partners to support and deliver housing need within the Vale of Glamorgan. This form of collaboration ensures the continued supply of appropriate housing to meet current and future need.
- 3.3 Housing Services continues to involve tenants and residents in meeting housing need and the HRABP seeks to respond to future demand taking account of changes to housing need. The plan also identifies resident involvement in developing sustainable communities to ensure residents can be proud of their homes and neighbourhoods.
- 3.4 The HRABP forecasts the potential impact tenants and residents may be experiencing in the maintenance of their tenancy. The launch of universal credit is having a large impact on rent arrears and the Housing Service has responded

by being proactive with tenants to develop their work skills, self-esteem and financial management to ensure they can maintain their tenancy.

- 3.5** Underpinning the investment plan are a number of data sources including stock condition information, energy performance housing needs assessments and combined with the knowledge on direction of travel for Housing, the business plan seeks to provide homes for now and in the future.

4. Resources and Legal Considerations

Financial

- 4.1** The Abolition of the Right to Buy and Associated Rights (Wales) Act 2018 gained Royal Assent on 24 January 2018. The provisions in the Act mean abolition of the rights came into force on 26 January 2019. Therefore, the Business Plan does not assume any HRA receipts.
- 4.2** The Welsh Government is continuing to provide grant funding to support new Council house building. The previous Affordable Housing Grant (AHG) was secured for two early projects. However, Welsh Government has now top sliced the Social Housing Grant scheme and introduced two clear streams of funding; one for Council Homes and the other for RSL partners. The Council is then able to submit funding bids for new development schemes which are subsequently reviewed by Welsh Government for funding allocation. The Council has taken out a loan to fund capital expenditure and the AHG is being repaid as an annual grant over a 30-year period and is being used to finance the interest and capital repayments of the debt.
- 4.3** The Housing Business Plan is both viable and sustainable in terms of maintaining the Council's obligations on WHQS for existing stock, the level of debt and the potential for new build and regeneration.
- 4.4** Given the forecasted viability of the plan, the availability of resources to meet the Council's obligation should be relatively resilient to changes in financial conditions.
- 4.5** 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 covers a 30-year period and will be reviewed on an annual basis and can be amended accordingly to meet any future changes in conditions.

Employment

- 4.6** The Business Plan includes work being undertaken to improve tenants' skills, qualifications and knowledge to assist them in entering gainful employment to help them manage their tenancy.

Legal (Including Equalities)

- 4.7** It is a legal requirement of the WG for each Local Authority that retains its housing stock 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.

5. Background Papers

None.

A central graphic for the Housing Business Plan. It features a blue horizontal band with the text 'VALE of GLAMORGAN COUNCIL HOUSING BUSINESS PLAN' in white. Below this band is a smaller blue band with the date 'March 2021'. The graphic is surrounded by green icons of houses, people, and a group of people. A circular line connects the icons. The text 'Strong Communities with a Bright Future' is written in a light blue font on the left side of the graphic.

VALE of GLAMORGAN COUNCIL
HOUSING BUSINESS PLAN
March 2021

Strong
Communities
with a Bright
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Rear of front page

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Joint Message

Message from the Leader, Councillor Neil Moore and the Cabinet Member for Housing and Building Services, Councillor Margaret Wilkinson.

At the time of writing this message last year, it was difficult to imagine how twelve months could have changed the working environment so much. The key issues were around Climate Change, Brexit Trade Agreements and the Housing Crisis. Whilst these issues have not gone away, much of the year was derailed by the world pandemic, which has caused considerable interruption to services.

The impact of the pandemic has seen different responses provided within the service, with some contractors Furloughing all staff whilst others continued to provide some level of service. As a consequence of the advice and guidance to reduce and limit contact, the Council took the decision to concentrate WHQS home improvements to external works only and consequently, kitchens and bathrooms have not been progressed this year. However, areas relating to tenant's safety such as heating appliances and electrical installations have continued where necessary. Similarly the repairs service has been operating an emergency repair service where lockdown restrictions have been escalated.

Although progressing some external work has been difficult, with the supply chain suffering from issues not resulting from Brexit, but from shortages of quarried products such as plaster and aggregate for fence posts. In some cases, it has been necessary to alter the material specification to enable works to complete.

Other works within the service have continued regardless because of the importance they play in protecting the vulnerable and voids and lettings has seen only a small reduction in turnover.

The provision of home adaptations has continued to maintain independence, reduce the opportunity for accidents at home and thereby reducing the pressure on our NHS.

Considerable progress has been made within the Council's development programme and whilst some contractors chose to close sites down, Llys Llechwedd Jenner was completed, providing 28 new council homes including general needs houses and older people's apartments. Two new developments are also under development providing 23 units of family accommodation at one site and a further 11 single persons units at another. Additionally, the planning process for an additional three new sites providing 77 additional new homes is being progressed.

Some ground has been lost on addressing climate change and whilst a reduction in traffic presented a noticeable improvement in air quality and CO² emissions, the Council's ability to plan and pilot alternative fuel system was delayed. However, towards the end of 2020, the Council was one of two local authorities successful in securing grant funding to pilot and monitor hybrid boiler technology. It is hoped through this technology that tenants will be able to explore renewable energy systems without losing the comfort of their existing fuel source and will overtime come to appreciate the full benefits renewable electric has to offer.

With regards Brexit there appears to have been little impact on the Council's ability to obtain supplies and materials, although the impact of migrant workers may not be fully appreciated until the pandemic is over and a new normal has commenced.

Councillor Neil Moore – Leader of the Council

Councillor Margaret Wilkinson – Cabinet Member for Housing and Building Services.

Section 2 – Housing Updates and Signposting

1.0 WHQS Evaluation and Development

At 31st March 2018, the Council achieved WHQS for all its dwellings. The Council has since entered into the maintenance phase of WHQS compliance. The tables below show the number of fully compliant properties and 'acceptable fail' properties as of December 2019.

AF Reason	Number
Cost of Remedy	5
Physical Constraint	309
Residents Choice	315
Timing of Remedy	6

Year	Acceptable Fail (AF)	Fully Compliant	Grand Total
Dec 2019	677	3175	3852
Dec 2020	636	3213	3849



The business plan incorporates the most recent investment requirements as identified by our Housing Asset Management System (Keystone) which includes historic stock condition survey data from Savills and our own survey team in their Stock Condition Survey (SCS). Prior to delivery all works will be validated to ensure they are required as identified from the Keystone reports and will be scoped to ensure they capture all necessary elements. Where the validation survey identifies the works can be delayed, this will be considered to enable smoothing of the investment programme and ensure money is effectively targeted to meet the maintenance needs of the housing stock.

Preliminary costs are included in the projected investment calculations and professional fees of 11% have been added. Further capital costs have been included for Preliminary works including items required to deliver any particular contract, such as management costs, security, site set up costs, insurances, quality control, and temporary works if applicable.

At 31st March 2018, the Council attained the WHQS to all its housing stock and from this date has entered the maintenance phase of this standard. With many of the attributes contained within the standard having time limitations on them, it is recognised the Council's investment programme will have to continue to invest in WHQS works to ensure the standard is maintained.

However, during 2020/21 maintaining the standard has proven difficult because internal works were suspended to avoid unnecessary spread of Covid 19 and efforts have been concentrated on works which can progress outside such as; roofing, EWI, communal area

works, etc. Internal works to replace kitchens and bathrooms have been delayed until the threat posed by the pandemic reduces, although the Council has replaced most of these attributes during the major investment programme achieving the WHQS standard.

The Council has closely monitored and apportioned/recorded the cost for undertaking the works to ensure the actual costs incurred are within budget and that a robust contingency sum is in place to deliver the Housing Improvement Programme. The following chart provides the main component budget cost and anticipated lifetimes as extracted from the original stock condition report:

Component	Budget (£)	Component Lifespan (years)
Kitchens	4,162	15
Bathrooms	3,500	25
Heating Boilers	3,500	12
Heating (Distribution)	Included Above	30
Rewiring	2,060	25
Roof Covering (synthetic slate)	10,800	35

2.0 Decarbonisation

The Council has continued to improve the energy efficiency of its housing stock to meet the requirements of Welsh Government legislation in relation to decarbonisation and the Welsh Housing Quality Standard (WHQS). With original targets being set to reduce the carbon footprint by 80% by 2030 this has now been revised to a target of EPC A by 2030 for all social homes following the recommendations of the “Better Homes, Better Wales, Better World” report in July 2019.

During 2019, following the release of “Prosperity for All: A Low Carbon Wales”, the Welsh Assembly declared a climate emergency and was the first to vote in support of such a declaration.

To address this emergency in June 2019, the Welsh Assembly accepted the advice from the UK Committee on Climate Change, for a 95% emission reduction by 2050 and also committed to going even further and achieving net zero emissions no later than 2050.

In July 2019, the Vale of Glamorgan Council declared its commitment to deliver its well-being goals as set out in our Corporate Plan ‘Strong Communities with a Bright Future’ and the Well-being of Future Generations Act, and the progress of initiatives in support of the existing Carbon Management Plan.

Of which the Council suggests that bold action to reduce carbon emissions can also deliver benefits in terms of new jobs, economic savings and market opportunities.

This Council has committed to:

1. Join with Welsh Government and other councils across the UK in declaring a global ‘climate emergency’ in response to the findings of the IPCC report.

2. Reduce its own carbon emissions to net zero before the Welsh Government target of 2030 and support the implementation of the Welsh Government's new Low Carbon Delivery Plan, to help achieve the Welsh Government's ambition for the public sector in Wales to be carbon neutral.
3. Make representations to the Welsh and UK Governments, as appropriate, to provide the necessary powers, resources and technical support to local authorities in Wales to help them successfully meet the 2030 target.
4. Continue to work with partners across the region to develop and implement best practice methods that can deliver carbon reductions and help limit global warming.
5. Work with local stakeholders including Councillors, residents, young people, businesses, and other relevant parties to develop a strategy in line with a target of net zero emissions by 2030 and explore ways to maximise local benefits of these actions in other sectors such as employment, health, agriculture, transport and the economy.

Carbon reduction works undertaken on our existing housing stock have focused on a fabric first approach to reduce the potential of fuel poverty for our tenants, however with the introduction of PAS 2035, the Council is keen to train staff in the principles of the "Each Home Counts" report.

During previous years, the Council has worked hard to ensure the Council's housing stock complies with the Welsh Housing Quality Standard (WHQS) raising the average SAP rating from the low 40s to 65 in order to meet the minimum requirement set under WHQS, however, this was not viewed as a target but seen more as an opportunity with an above average SAP of 70 set as an internal KPI by the Council.

This has been achieved by installing;

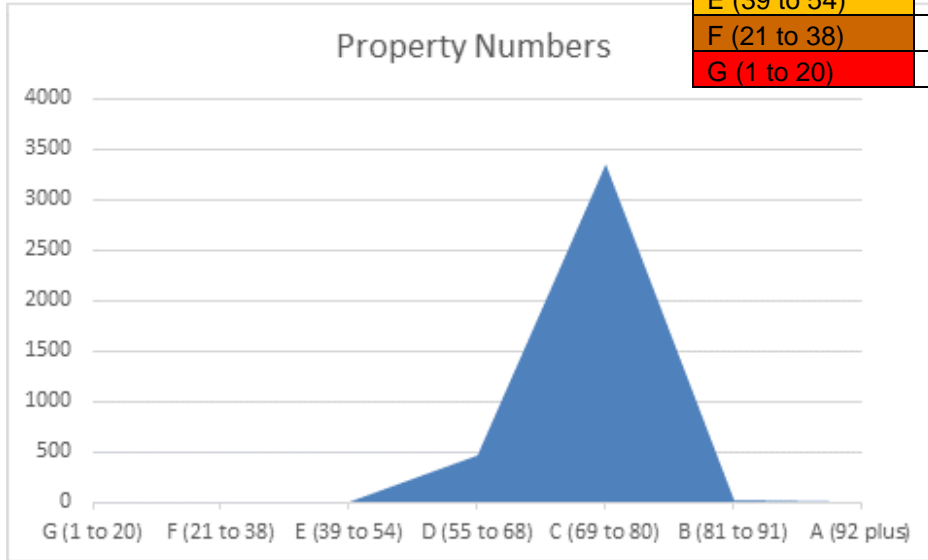
- new replacement modern gas central heating systems (A rated energy efficiency),
- external wall insulation (EWI),
- modern windows and doors (A rated energy efficiency),
- new roofs with high levels of loft insulation,
- pilot renewable energy heating systems such as ground heat source pumps,
- dual flush toilets, and
- Removal of open fires and gas focal point fires (providing a socket for electric focal fires).

These improvements have contributed to ensuring our homes are energy efficient, thus reducing fuel poverty and improving carbon footprint figures.

In addition to the above, the Council has identified system-built stock within the housing portfolio which was energy inefficient and beyond economical repair, the most cost-effective solution was for demolition and rebuilding, thereby bringing the properties up to modern standards. As a result, the non-traditional construction properties e.g. 'Hawksley' bungalows and Cornish Houses have had major works undertaken to bring them up to the latest requirements of the Building Regulations and WHQS.

The tables below show the Council's current number of properties within each EPC banding.

Band	Property Numbers
A (92 plus)	0
B (81 to 91)	26
C (69 to 80)	3355
D (55 to 68)	455
E (39 to 54)	3
F (21 to 38)	2
G (1 to 20)	0



This data is used to calculate what retrofit solution is required to bring each property up to its highest possible banding.

Furthermore, a programme of works has commenced installing new energy efficient LED lighting systems within communal areas of flats and sheltered accommodation. This programme also includes the removal of the on/off timer system and replacing with light sensitive motion sensors.

The service is taking a fabric first approach to Council Homes and communal areas, which includes; thermal improvements to walls by installing additional installation, triple glazed windows, 'A' rated doors, increased loft insulation thickness, insulated flooring when practical. As the carbon sector develops, further consideration will be given to heating and potential localised renewable energy generation. It is intended to explore various carbon reduction technologies on various pilot schemes to enable the success and impact to be evaluated. The Council is keen to understand the financial impact on tenants for Carbon reduction because any increase in running cost could lead to the systems not being used correctly or even alternative less environmentally friendly alternatives being used by tenants, thereby defeating any action by the Council.

To assist the Welsh Government in its Carbon reduction pledge the Council is providing regular up to date housing stock information.

The Council currently conducts a whole house assessment to understand what the most cost-effective solution for each individual property is; looking at fabric, services and renewables in order to achieve highest performance, whilst managing fuel poverty.

We continue to work towards having up to date Energy Performance Certificates (EPC's) on all our properties to assist with our analysis of what retrofit solutions will need to be applied to each property.

At present the business plan identifies approximately £103m over the next 30 years towards directly responding to decarbonisation, although other renewal programmes are also seeking to achieve high levels of energy efficiency.

New Development Schemes

All development schemes have been designed and built to comply with Building Regulations in relation to energy efficiency and Welsh Governments' Development Quality Requirements (DQR, currently revised standards are being developed).

The Development Team is also ensuring materials and especially the timber used in the structural frame, roofing structure and internally is sustainably sourced. We will fit 'A-rated' gas boilers and 'A-rated' windows and doors. To minimise the wastage of water, we are fitting low flow sanitary ware, shallower baths and diffusers on tap fittings. We ensure that there is low air leakage from the fabric of the building.

Our objective has been to seek a 10% improvement above the minimum requirements of Part L of current Building Regulations, which controls carbon emissions and the conservation of fuel and power.

A fundamental change to DQR, is the positive promotion of the use of Modern Methods of Construction (MMC) and particularly Off-Site Manufacture (OSM), to ensure new homes are built at pace and with better quality. Participation in the carbon offset scheme will be actively encouraged.

The Council is committed to using off site construction methods wherever practical and the future development programme will design and construct homes which have modular or panelised structural components, manufactured offsite, to improve thermal efficiency, air leakage and construction quality.

There will be a single fuel source – electricity – as gas fired heating systems are being phased out for new build homes and Mechanical Ventilation with Heat Recovery (MVHR) will be more frequently used to provide clean air whilst reducing the impact on space heating, in conjunction with tanked or tankless electric water heating.

Transpired solar collector external cladding material will be utilised to further improve the efficiency of the MVHR and on-site electricity generation, using thin film or integrated solar cell roofing materials. Other components will include triple glazing and on-site electricity storage.

These technologies are currently being designed into a new scheme at a former Colcot Health site in Barry.

3.0 Homelessness

The Covid-19 Pandemic placed extraordinary pressures on homelessness services in the Vale of Glamorgan to accommodate anyone with a housing need, regardless of whether they would be classed as vulnerable under the Housing (Wales) Act. Additional funding was made available by Welsh Government through the Phase 1 response to the pandemic in order to assist local authorities in fulfilling this additional duty, which has been used to fund an additional 116 units of bed and breakfast accommodation and other associated costs in the County. This is in addition to the existing 147 units of temporary accommodation held by the Council, which includes an HRA funded homeless hostel and council owned properties used for homelessness clients.

From the start of the pandemic to date, the Vale of Glamorgan Council has assisted an additional 365 homelessness households by accommodating them in bed and breakfast accommodation, with 85 still resident and this changes daily.

In addition, to ensure that anyone who was Covid positive could isolate and reduce the spread of the pandemic, Housing Services furnished and kept available four council properties.

In order to find a more suitable and permanent solution to the housing needs of these clients, the Council is now working with a local Bridgend based contractor Holbrook Homes Limited, who themselves have partnered with First Start Solutions, a modular housing manufacturer from Pontyclun to provide a full turnkey solution by delivering eleven temporary modular units on Council owned land in Barry using Modern Methods of Construction (MMC).

The total Scheme capital cost is estimated to be £921,984 with an indicative funding allocation from Welsh Government of £197,212 to support the delivery of the project. The Scheme has therefore been included in the Council's capital programme during 2020/21 with an allocation of £1,000,000. The Scheme is due to be completed by 31st March 2021 and a weekly rental charge will be made of £183.47 per week for each of these units, which if the service user is eligible, result in a maximum Housing Benefit payment of £152.38 per week. However, there could be a detrimental impact on the HRA should service users fail to pay their service charge of £31.09 per week or if they do not qualify for full Housing Benefit and fail to pay their rent or the top up payment due.

The HRA revenue has also already been adversely affected by reduced rental income and higher rent arrears during the pandemic and this is expected to be further squeezed by the increase in the minimum notice period for landlords being increased to six months.

4.0 Building Safety

The Vale of Glamorgan Council does not have any building above 18m in height and has not used ACM's to clad any buildings so does not have the level of fire safety issues associated with these buildings. However, building safety remains a key issue the Vale of Glamorgan Council takes seriously as a landlord.

A programme of replacing and upgrading flat entrance doors, kitchen doors to flats and general communal area doors has been progressed over a number of years and all high-risk buildings have been completed with only a small number of four block flats remaining to replace.

A programme of fire stopping to ensure compartmentation is maintained has been completed within all larger flatted, and sheltered complexes to reduce the potential spread of fire and all our flat/sheltered blocks have upgraded smoke detection with communal areas covered too.

The Vale of Glamorgan Council has a Fire Safety Policy which sets out the roles responsibility's and duties of all staff associated with the management of flats and this includes regular inspections recording any issues and seeks to resolve them in a timely manner.

5.0 Optimised Retrofit Programme (ORP)

The Vale of Glamorgan Council is committed to ensuring people live and work in environmentally sustainable homes workplaces and communities. To this end, the Vale of Glamorgan has successfully obtained Welsh Government grant funding to expand knowledge and improve local contractor capability in green heating services, to decarbonise the domestic heating market and provide sustainable housing with an EPC target rating of A.

The project includes:

- Hybrid heat pump surveys and installations into domestic properties into homes off grid with oil and LPG boilers
- Hybrid heat pump surveys and installations into domestic properties into homes utilising on grid gas boilers
- A connected service via the internet using technology to minimise service costs and risks
- Smart controls and aggregation platform that will provide the ability for Vale of Glamorgan to optimise heating strategy against cost saving opportunities.
- Field data insights which can be used to plan for future developments

This Optimised Retrofit Programme is currently a pilot for the Council and will enable staff to be trained in PAS.2035, which will then enable future programmes to be considered under the principles identified in “Each Home Counts”



6.0 Innovative Housing Programme

(IHP)



The Council does not have any current development schemes included in Welsh Governments’ Innovative Housing Programme. However, the Council has completely reprofiled its development programme to ensure all new schemes are built using Modern Methods of Construction (MMC) and Off-Site Manufacturing (OSM) techniques. Furthermore, the Council has committed that all its new developments will achieve EPC ‘A’ rating from 2021, before migrating to ‘net zero carbon’ new homes and will be delivered off the current gas network.

During 2020/21, the Council was active on four construction sites in Barry, building a total of 83 new Council homes. In October 2020, the Council successfully completed its first major scheme, handing over 28 new family homes and older person apartments at Llys Llechwedd Jenner.

A further four planning applications were submitted for an additional 100 new Council homes which are awaiting determination, with starts on site expected during the early part of the new financial year in 2021.

The Council’s Local Housing Market Assessment 2019 - 2024, identified a chronic shortage of affordable housing and a need for an additional 890 units per annum (including 799 social rented units). To this end, the Council has escalated the scale and pace of its development programme and currently has a pipeline of 530 new homes, including 120 homes for market sale, to be delivered by 2025.



The current Housing Development Strategy 2019-24 is underpinned by our forward plan for the delivery of new Council homes and is evidenced in the attached LA Build Spreadsheet.



The Council continues to buy land to facilitate its ambitious development programme and has already acquired two former school sites capable of delivering 220 new homes and is in the process of concluding the land acquisition of two further sites, capable of delivering an additional 100 new homes.

7.0 Grants regime

The Council had previously bid for and was successful in receiving £3.9 million of Affordable Housing Grant which it has committed to its schemes at Llys Llechwedd Jenner (£2.3 million) and Clos Holm View (£1.6 million).

From 2021/22, the Council will be able to access Social Housing Grant with grant calculated using Welsh Governments new Standard Viability Model (SVM). Already, the Council has full Concept and Pre-planning Technical Approval on its £4.6 million development of 23 new homes at Hayes Road, Barry and Concept Technical Approval (Pre-planning Approval pending) on its £9 million development of 53 new homes at the adjacent Hayeswood Road site.

Both schemes will be included in the Councils Programme Delivery Plan for 2021/22 and submitted to Welsh Government for approval, subject to a satisfactory SVM appraisal.

8.0 Housing Revenue Account Manual

The Housing Revenue Account is managed in accordance with the relevant legislation and other guidance, including Welsh Office Circular 33/95 and future revisions. The detailed capital and revenue projections for the base model are shown in Appendix A as follows:-

A (i) – Major Repairs and Improvements - Base Model.

A (ii) – Operating Account - Base Model

In October 2018, The UK Government announced plans to lift the Housing Revenue Account Borrowing Cap and agreed for the Cap to be fully abolished in Wales from March 2019.

A summary of the projected financial position of the 30-year plan follows:-

	Base Plan - April 2021
HRA Useable Capital Receipts Balance at 1st April 2021	0
Opening Housing Capital Financing Requirement at 1st April 2021	£78.801m
Peak Debt	Year 20 £191.857m
Repayment of Debt	Year 31+
Revenue Surplus in year 30	£1.338m

Appendix A (i) – Major Repairs and Improvements, details the total required capital investment to maintain WHQS, provisional amounts for new build and regeneration and to maintain the stock over the next 30 years.

The following table gives a description of each column.

Major Repairs and Improvements

WHQS Improvement & Maintenance	Includes capital expenditure required to improve and maintain the stock to WHQS, it also includes investment in Disabled Adaptations.
Regeneration & Remodelling	This includes provision for environmental and regeneration work.
New Build Development Costs	This includes provisions for new build schemes and the potential buy-back of former RTB properties.
Borrowing	Borrowing is allowed under the Prudential Code provided that it is affordable for the Council.
Major Repairs Allowance (MRA)	Grant from Welsh Government – assumed at current level of £2.764m per annum.
Other Financing	This includes Section 106 contributions.
Revenue Contributions to Capital Outlay (RCCO)	Revenue contributions from the Housing Revenue Account (HRA) to fund capital expenditure, where the revenue account is in surplus.

Appendix A (ii) – Operating Account, displays the revenue account position year on year. The following table gives a description of each column:

Operating Account	
Net Rent Income	The rent and service charge income receivable on all dwellings adjusted for voids and bad debts
Other Income	Includes garage rents, leaseholder ground rent, sewerage treatment charges and contributions to expenditure.
Miscellaneous Income	Includes wayleaves and easements, lease income and mortgage interest.
WG Affordable Housing Grant	This is grant income which supports new Council house building. The grant is provided to fund the interest and capital repayments of debt.
Management Expenditure	Fixed costs for management and supervision.
Repairs & Maintenance	Revenue repairs expenditure.
Other Revenue Spend	Includes Council tax, audit, legal and consultant fees.
Miscellaneous Expenses	Hostel expenditure.
Capital Charges	Charges for loan debt.

9.0 Rent Policy

In January 2020, the Minister for Housing and Local Government announced her decision to set a rent policy for a five-year period beginning in April 2020. The maximum allowable uplift has been set at CPI + 1% each year as long as CPI stays within the prescribed range of 0% to 3%, Outside this range WG will determine the appropriate change to rent levels for that particular year. However, some rents can be increased by CPI + 1% and up to an additional £2 on condition that other rents are either frozen or reduced so that our overall rent increases for all stock is no greater than CPI + 1%. Decisions on rent setting should take into account the affordability of rents for tenants.

The Vale of Glamorgan's 2021/22 average weekly rent (based on 52 weeks for Business Planning purposes) is anticipated to be £101.25. This was calculated based on an average increase of 1.5%, which is CPI (0.5%) plus 1% per week and is in line with the new rent policy for Wales.

10.0 HRA Prudential Borrowing Indicators

Welsh Government has been working with the WLGA, a group of local authority representatives and Savills to develop a set of prudential borrowing indicators in the absence of a borrowing cap and with increasing funding demands placed on the HRA business plan.

These measures have not yet been agreed but the aim is to include these in some way in business plan submissions in future years.

These measures will be calculated by and managed by local authorities. Welsh Government will not be prescriptive as to parameters for these measures but will facilitate comparison across the sector in agreement with local authorities to provide context for decision making.

The viability of the Housing Business Plan is determined by whether or not the HRA remains in surplus for the life of plan, with the minimum level of balances set at £915,000 in real terms from 2021/22. This is considered to be a prudent level.

1. Stock Numbers

As at 26th January 2021, the Council's Standard Stock stood at 3,848 as shown in the table below. There are also 29 Temporary Accommodation properties and a Homeless Hostel. It has been assumed the standard stock at the 1st April 2021 will increase by 11 units to 3,859.

Type	No. of Bedrooms	Total Properties
General Needs Stock		
House / Bungalow	1	1
House / Bungalow	2	345
House / Bungalow	3	1,581
House / Bungalow	4	81
House / Bungalow	5	5
Bedsit	0	12
Flat	1	257
Flat	2	488
Flat	3	90
Total General Needs		2,860
Sheltered Stock		
Bungalow	1	44
Bungalow	2	41
Bedsit	0	27
Sheltered Flat	1	194
Sheltered Flat	2	23
Total Sheltered		329
Total OAP Designated		
OAP Bedsit	0	25
OAP Flat	1	313
OAP Flat	2+	26
OAP House / Bungalow	1	255
OAP House / Bungalow	2	40
Total OAP Designated		659
Total		3,848

2. Financial model and Assumptions

A financial analysis has been carried out on the Council's ability to achieve the level of investment required whilst maintaining a viable Housing Revenue Account. Consideration has been given to the potential impact of changes in legislation and particularly Welfare Reforms. Assumptions used in the financial modelling are shown below:-

- Inflation has been included at a level of 1.5% (based on WG guidance).
- Standard Stock Level at 1st April 2021 – 3,859 dwellings.
- Minimum level of balances to be maintained of £915,000 (real terms).
- Repairs and Maintenance expenditure of £918 per unit in 2021/22, increasing to £1,047 in 2022/23 then with inflation in future years.
- Supervision and Management costs based on 2021/22 budget estimates rising with annual inflation and split 50:50 in terms of fixed and variable costs, with the variable cost element changing according to stock numbers.
- Other Revenue running costs based on the 2021/22 budget.
- Gross average rents are £101.25 in 2021/22 calculated on a 52-week basis. The maximum level rents can be increased by is set by WG via their Policy for Social Housing Rents. The policy for 2021/22 limits the maximum rent increase to CPI plus 1% (for rent purposes, based on Sept 2020 CPI of 1.5%).
- No income has been assumed from Right to Buy sales as legislative changes abolished the ability to make such sales from 26th January 2019 for existing properties.
- New build provisional investment totals £233.712m over years 1 – 30.
- Estate Improvements of £64,000 per annum has been set aside for community investment initiatives within the Revenue Budget.
- Environmental improvements of £5.066m have been set aside in 2021/22.
- Major Repairs Allowance (MRA) has been assumed at the current level of £2.764m, per annum for the 30-year plan.
- Interest rates – Current pooled rate 3.67% and interest on investments 0.4%

These assumptions have been agreed with the relevant officers.

3. Sensitivity Analysis

There are risks that the assumptions used in the Housing Business Plan do not materialise and this may impact on the Council's ability to deliver its Plan. The impacts of the following ten scenarios have been assessed to quantify the various levels of risks. It should be noted that this is not an exhaustive list but it is considered that they cover the main areas of risk to the Plan.

No.	Key Risk(s)	Rate of Change/(s) modelled	Description of risk and reason for inclusion
1	Rent	Reduction in rate of rent increase to CPI + 0.5%	2021/22 is the second year of the new 5 year Welsh Government's Rent Policy and is fixed at CPI (as at previous Sept) plus 1%. This policy could therefore change over the period of the business plan.
2	Rent	Reduction in rate of rent increase to CPI only	2021/22 is the second year of the new 5 year Welsh Government's Rent Policy and is fixed at CPI (as at previous Sept) plus 1%. This policy could therefore change over the period of the business plan.
3	Rent	Reduce CPI by 0.5%	2021/22 is the second year of the new 5 year Welsh Government's Rent Policy and is fixed at CPI (as at previous Sept) plus 1%. This policy could therefore change over the period of the business plan.
4	Inflation	Inflation runs at 1% higher than anticipated (1.5%)	This assesses the effect of the combination of increasing income by the same factor as expenditure. Uncertainties surrounding the impact of leaving the European Union and the economic impact of the Covid 19 pandemic make it difficult to forecast any changes to inflation.
5	Rents	Increase in rent loss of 1% per annum	This reflects an increase in bad debts and voids. The roll-out of Universal Credit has created several problems and has been amplified by Covid-19.
6	Rent and Cost Inflation	Reduction in rate of rent increase to CPI + 0.5% plus increase of 1% on cost inflation	This combines a reduction in rent income with increasing costs. 2021/22 is the second year for the Welsh Government's Rent Policy. The policy from 2021/22 is fixed at CPI (as previous Sept) plus 1%.
7	Interest Rates	Interest rate 0.5% higher than anticipated	This assesses the effect of increasing capital financing costs as uncertainties surrounding the impact of leaving the European Union and the economic impact of the Covid 19 pandemic make it difficult to forecast any changes to interest rates.
8	Management Costs	Management costs increase by 1% above inflation per annum.	The impact of Covid 19 and the roll out of universal credit may result in increased management time and therefore costs in recovering rent arrears and debt management.

9	Repairs & Maintenance Costs	The cost of repairs and maintenance and WHQS increase by 1% above inflation per annum.	Uncertainties surrounding the impact of leaving the European Union make it difficult to forecast any changes to inflation. It is also likely costs will increase as a result of Covid 19. i.e additional Covid measures
10	Grant	The annual Major Repairs Allowance (MRA) from WG ceases	The MRA grant is a key funding stream that ensures the Plan remains viable. A reduction in this source of funding would have a significant impact.

The viability of the Housing Business Plan is determined by whether or not the HRA remains in surplus for the life of plan, with the minimum level of balances set at £915,000 in real terms from 2021/22. This is considered to be a prudent level. Sensitivity analysis has been applied to the Business Plan based on the following criteria provided by Welsh Government:

- Key risks to the plan
- Impact on HRA reserves
- Impact on WHQS achievement and maintenance
- Impact on Affordability
- Mitigating actions

The sensitivity analysis and the results for each scenario are shown in appendix B.

The sensitivity analysis has been carried out over the life of the Plan to assess the effects on the Business Plan objectives of the different scenarios.

Analysis has focused on the first 10 years of the business plan as after this time, projections are less accurate. While the impact of the various scenarios result in a shortfall in capital funding, this shortfall can be mitigated wholly by additional borrowing, with the plan still remaining viable and the HRA reserve balance still being set at prudent level. However, as an alternative to increasing borrowing to fund the various shortfalls, a potential mitigating action has also been suggested which highlights the extent to which the capital program would have to be reduced in years 1-10 to fund the various shortfalls and avoid any additional borrowing.

There are however, other mitigating actions that could be pursued should any of the scenarios materialise. These could include further reductions or re-profiling of regeneration works, management savings on added value community regeneration, initiatives being reduced or postponed. Also, maintenance and voids works could be reduced to a minimum acceptable standard and the number of new build houses could be reduced if required over the life of the Plan. The most appropriate options would be considered at the appropriate time in conjunction with the option to fund any shortfall through additional borrowing.

4. Housing Investment Programme – previous investments

The following table provides a breakdown of the expenditure and budget over the various areas of work undertaken since 2015/16.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
Schemes	Actual £'000	Actual £'000	Actual £'000	Actual £'000	Actual £'000	Budget £'000	Budget £'000	£'000
Internal Elements	3,857	934	631	1,277	887	480	1,353	9,419
External Elements	7,364	10,488	9,539	4,562	2,270	2,103	1,694	38,020
Asbestos Management	811	122	0	0	0	0	0	933
Council Housing Aids and Adaptations	367	290	325	395	441	485	350	2,653
Common Parts	179	66	377	1,143	1,263	1,685	3,800	8,513
Re-ablement ICF	0	78	155	0	0	0	0	233
Arbed Project	2,069	250	0	0	0	0	0	2,319
General Improvements	191	47	0	671	0	0	0	909
Individual Schemes	854	2,566	358	-2	7	1703	2,760	8,246
Emergency Works	150	141	110	102	194	421	300	1,418
Environmental Improvements	216	382	2,239	2,112	883	1,821	5,066	12,719
Regeneration & New Build	5	169	606	1,138	3,473	8,697	16,356	30,444
Digital Highway in Sheltered Accommodation	0	0	19	6	0	0	0	25
ICF - Penarth Older Persons Village	0	0	0	41	120	0	0	161
Margaret Gardens- Education Centre	0	0	0	0	0	20	0	20
Energy Efficiency	0	0	0	0	0	2829	5,075	7,904
Total Housing Improvement Programme	16,063	15,533	14,359	11,445	9,538	20,244	36,754	123,936

Appendix A (i) – Major Repairs and Improvement Financing

Vale of Glamorgan Council HRA Business Plan Major Repairs and Improvements Financing (expressed in money terms)											
		Expenditure					Financing				
Year	Year	WHQS Imp & Maint £,000	Regen & Remodelling £,000	Acquired Properties £,000	New Build Development Costs £,000	Total Expenditure £,000	Borrowing £,000	Other £,000	MRA £,000	RCCO £,000	Total Financing £,000
1	2021.22	15,332	5,066	1,500	14,856	36,754	26,298	1,300	2,764	6,392	36,754
2	2022.23	10,272	1,281	1,000	15,207	27,760	19,233	0	2,764	5,763	27,760
3	2023.24	6,951	1,065	1,000	13,727	22,743	14,447	0	2,764	5,532	22,743
4	2024.25	4,755	3,301	1,000	13,027	22,083	13,092	0	2,764	6,226	22,083
5	2025.26	8,741	1,268	1,000	6,527	17,536	8,562	0	2,764	6,211	17,536
6	2026.27	9,349	1,720	1,000	5,180	17,248	7,688	0	2,764	6,796	17,248
7	2027.28	9,395	1,728	1,000	5,206	17,329	7,420	0	2,764	7,146	17,329
8	2028.29	9,442	1,737	1,041	5,232	17,452	7,156	0	2,764	7,531	17,451
9	2029.30	14,707	1,746	1,046	5,258	22,756	12,147	0	2,764	7,845	22,756
10	2030.31	11,643	1,755	1,051	5,284	19,732	8,371	0	2,764	8,597	19,732
11	2031.32	8,889	1,341	1,056	5,311	16,597	5,924	0	2,764	7,909	16,597
12	2032.33	8,934	1,348	1,062	5,337	16,680	5,540	0	2,764	8,376	16,680
13	2033.34	8,978	1,355	1,067	5,364	16,764	5,234	0	2,764	8,766	16,764
14	2034.35	9,023	1,361	1,072	5,391	16,848	4,733	0	2,764	9,351	16,847
15	2035.36	9,068	1,368	1,078	5,418	16,932	3,714	0	2,764	10,454	16,932
16	2036.37	12,509	1,114	1,083	5,445	20,151	6,911	0	2,764	10,475	20,150
17	2037.38	12,571	1,120	1,088	5,472	20,251	6,478	0	2,764	11,009	20,251
18	2038.39	12,634	1,125	1,094	5,499	20,353	5,997	0	2,764	11,591	20,353
19	2039.40	12,697	1,131	1,099	5,527	20,454	5,467	0	2,764	12,224	20,454
20	2040.41	12,761	1,137	1,105	5,554	20,557	4,169	0	2,764	13,624	20,557
21	2041.42	10,451	1,142	1,110	5,582	18,286	1,774	0	2,764	13,748	18,286
22	2042.43	10,504	1,148	1,116	5,610	18,378	912	0	2,764	14,702	18,377
23	2043.44	10,556	1,154	1,122	5,638	18,470	0	0	2,764	15,706	18,470
24	2044.45	10,609	1,160	1,127	5,666	18,562	0	0	2,764	15,798	18,562
25	2045.46	10,662	1,165	1,133	5,695	18,655	0	0	2,764	15,891	18,655
26	2046.47	6,435	1,271	1,138	5,723	14,567	0	0	2,764	11,803	14,567
27	2047.48	6,467	1,277	1,144	5,752	14,640	0	0	2,764	11,876	14,640
28	2048.49	6,499	1,284	1,150	5,780	14,713	0	0	2,764	11,949	14,713
29	2049.50	6,532	1,290	1,156	5,809	14,787	0	0	2,764	12,023	14,787
30	2050.51	6,564	1,297	1,161	5,838	14,861	0	0	2,764	12,097	14,861
		293,929	45,257	32,800	200,912	572,899	181,267	1,300	82,920	307,410	572,896

Appendix A (ii) – Operating Account

Vale of Glamorgan Council		Income												Expenditure												Net Operating (Expend)		Transfer from / (to) Reserve		RCCO		Surplus (Deficit) for Year		Surplus (Deficit) b/fwd		Surplus (Deficit) c/fwd	
Year	Net rent income	Other income	Misc income	WG Aff Hsg Grant	RTB Admin	Total Income	Managmt.	Deprec'n	Repairs & Maint	Other Revenue spend	HRA Cost of Rent Rebates	Misc expenses	Total expenses	Capital Charges	Net Operating (Expend)	Repayment of loans	Deprec'n	Transfer from / (to) Reserve	RCCO	Surplus (Deficit) for Year	Surplus (Deficit) b/fwd	Surplus (Deficit) c/fwd															
Year	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000														
1	21.22	20,002	487	32	205	0	20,726	(5,080)	0	(3,543)	(253)	(467)	(9,343)	(4,969)	6,414	0	0	0	0	(6,392)	22	890	4	915													
2	22.23	21,311	489	32	205	0	22,038	(5,106)	0	(4,063)	(254)	(470)	(9,892)	(6,377)	5,768	0	0	0	0	(5,763)	4	915	4	923													
3	23.24	22,307	492	32	205	0	23,036	(5,131)	0	(4,083)	(255)	(472)	(9,942)	(7,561)	5,533	0	0	0	0	(5,532)	1	923	4	928													
4	24.25	23,802	494	32	205	0	24,534	(5,157)	0	(4,104)	(257)	(474)	(9,992)	(8,315)	6,227	0	0	0	0	(6,226)	1	928	4	933													
5	25.26	24,375	497	32	205	0	25,110	(5,183)	0	(4,124)	(258)	(477)	(10,042)	(8,856)	6,211	0	0	0	0	(6,211)	1	933	4	937													
6	26.27	25,338	499	33	205	0	26,076	(5,209)	0	(4,145)	(259)	(479)	(10,092)	(9,186)	6,798	0	0	0	0	(6,796)	1	937	4	942													
7	27.28	26,017	502	33	205	0	26,757	(5,235)	0	(4,166)	(260)	(481)	(10,142)	(9,469)	7,147	0	0	0	0	(7,146)	1	942	4	947													
8	28.29	26,711	504	33	205	0	27,454	(5,261)	0	(4,186)	(262)	(484)	(10,193)	(9,729)	7,532	0	0	0	0	(7,531)	1	947	4	951													
9	29.30	27,420	507	33	205	0	28,165	(5,287)	0	(4,207)	(263)	(486)	(10,244)	(10,075)	7,846	0	0	0	0	(7,845)	1	951	4	956													
10	30.31	28,685	510	33	205	0	29,433	(5,314)	0	(4,228)	(264)	(488)	(10,295)	(10,539)	8,599	0	0	0	0	(8,597)	1	956	4	961													
11	31.32	28,863	512	33	205	0	29,634	(5,340)	0	(4,836)	(266)	(491)	(10,933)	(10,791)	7,910	0	0	0	0	(7,909)	1	961	4	966													
12	32.33	29,638	515	34	205	0	30,392	(5,367)	0	(4,956)	(267)	(494)	(11,084)	(10,931)	8,377	0	0	0	0	(8,376)	1	966	4	971													
13	33.34	30,410	518	34	205	0	31,167	(5,394)	0	(5,195)	(268)	(496)	(11,353)	(11,047)	8,767	0	0	0	0	(8,766)	1	971	4	975													
14	34.35	31,198	520	34	205	0	31,958	(5,421)	0	(5,279)	(270)	(499)	(11,468)	(11,137)	9,352	0	0	0	0	(9,351)	1	975	4	980													
15	35.36	32,618	523	34	205	0	33,381	(5,448)	0	(5,521)	(271)	(501)	(11,741)	(11,185)	10,455	0	0	0	0	(10,454)	1	980	4	985													
16	36.37	32,825	526	34	205	0	33,590	(5,475)	0	(5,607)	(272)	(504)	(11,858)	(11,256)	10,476	0	0	0	0	(10,475)	1	985	4	990													
17	37.38	33,664	528	34	205	0	34,432	(5,502)	0	(5,695)	(274)	(506)	(11,977)	(11,445)	11,010	0	0	0	0	(11,009)	1	990	4	995													
18	38.39	34,522	531	35	205	0	35,293	(5,530)	0	(5,783)	(275)	(509)	(12,097)	(11,604)	11,592	0	0	0	0	(11,591)	1	995	4	1,000													
19	39.40	35,397	534	35	205	0	36,171	(5,558)	0	(5,872)	(276)	(511)	(12,217)	(11,728)	12,225	0	0	0	0	(12,224)	1	1,000	4	1,005													
20	40.41	36,989	537	35	205	0	37,766	(5,585)	0	(5,962)	(278)	(514)	(12,339)	(11,803)	13,624	0	0	0	0	(13,624)	1	1,005	4	1,010													
21	41.42	37,204	539	35	205	0	37,984	(5,613)	0	(6,052)	(279)	(516)	(12,461)	(11,774)	13,748	0	0	0	0	(13,748)	1	1,010	4	1,015													
22	42.43	38,136	542	35	205	0	38,919	(5,641)	0	(6,143)	(281)	(519)	(12,584)	(11,632)	14,703	0	0	0	0	(14,702)	1	1,015	4	1,020													
23	43.44	39,087	545	36	205	0	39,873	(5,670)	0	(6,235)	(282)	(521)	(12,708)	(11,438)	15,727	(20)	0	0	0	(15,706)	1	1,020	4	1,026													
24	44.45	40,059	548	36	205	0	40,848	(5,698)	0	(6,328)	(283)	(524)	(12,833)	(11,191)	16,824	(1,005)	0	0	0	(15,798)	21	1,026	4	1,051													
25	45.46	41,051	551	36	205	0	41,843	(5,726)	0	(6,421)	(285)	(527)	(12,959)	(10,906)	17,978	(2,064)	0	0	0	(15,891)	23	1,051	4	1,078													
26	46.47	42,064	553	36	205	0	42,859	(5,755)	0	(6,516)	(286)	(529)	(13,086)	(10,496)	19,277	(7,364)	0	0	0	(11,803)	109	1,078	5	1,191													
27	47.48	43,927	556	36	205	0	44,725	(5,784)	0	(6,611)	(288)	(532)	(13,214)	(9,727)	21,764	(9,856)	0	0	0	(11,876)	52	1,191	5	1,248													
28	48.49	44,153	559	36	0	0	44,749	(5,813)	0	(6,707)	(289)	(535)	(13,343)	(9,107)	22,299	(10,339)	0	0	0	(11,949)	10	1,248	5	1,263													
29	49.50	45,231	562	37	0	0	45,830	(5,842)	0	(6,803)	(291)	(537)	(13,473)	(8,451)	23,905	(11,852)	0	0	0	(12,023)	31	1,263	5	1,289													
30	50.51	46,331	565	37	0	0	46,933	(5,871)	0	(6,901)	(292)	(540)	(13,604)	(7,736)	25,593	(13,464)	0	0	0	(12,097)	33	1,299	5	1,338													

Appendix B – Sensitivity Outcomes

Ref	Key Risk	Rate of Change(s) modelled	Description of risk and reason for inclusion	Pre-mitigation			Potential Mitigating action(s) Description	Potential Mitigating action to cover the shortfall resulting from the risk in Yrs 1-10 to reduce the level of borrowing	Post-mitigation			
				Impact on HRA reserves (value and timescale)	Impact on WHQS maintenance	Impact on Borrowing at Year 30 in comparison to Base Case £102.176m if shortfall is covered wholly by additional borrowing			Residual Impact on HRA reserves (value and timescale)	Residual Impact on WHQS maintenance	What is the peak debt?	Impact on Borrowing at Year 30 in comparison to Base Case £102.176m
APPENDIX H - SENSITIVITY ANALYSIS Base case CPI assumed at 0.5% as per WG guidance Base case closing debt balance at Y30 = £102.176m Base case closing reserve balance at Y30 = £1.338m												
1	Rent	Reduction in rate of increase to CPI + 0.5%	2021/22 is the second year of the new Rent Policy. Rent increase has been fixed for 5 years at CPI (as at the previous September) plus 1%. This policy could therefore change over the period of the business plan	HRA reserve set and maintained at a level that is deemed prudent.	WHQS shortfall in years 2-30	£215.689m, increased by £113.513m	Reduce the capital program years 2-10	Reduce Environmental capital over the 10 years by £3.579m and new build units by 14 in years 7-10	WHQS now funded	£229.217m in Y25	£203.142m, increased by £100.966m	
2	Rent	Reduction to CPI only	2021/22 is the second year of the new Rent Policy. Rent increase has been fixed for 5 years at CPI (as at the previous September) plus 1%. This policy could therefore change over the period of the business plan	HRA reserve set and maintained at a level that is deemed prudent.	WHQS shortfall in years 2-30	£319.95m, increased by £217.774m	Reduce the capital program years 2-10	Reduce Environmental capital over the 10 years by £3.052m and new build units by 71 in years 6-10	WHQS now funded	£300.805m in Y30	£300.805m, increased by £198.629m	
3	Rent	Reduce CPI by 0.5%	2021/22 is the second year of the new Rent Policy. Rent increase has been fixed for 5 years at CPI (as at the previous September) plus 1%. This policy could therefore change over the period of the business plan	HRA reserve set and maintained at a level that is deemed prudent.	WHQS shortfall in years 2-30	£189.569m, increased by £87.413m	Reduce the capital program years 2-10	Reduce Environmental capital over the 10 years by £3.824m	WHQS now funded	£214.946m in Y23	£178.338m, increased by £76.162m	
4	Inflation	Increase RPI by 1%	Uncertainties around Brexit make it difficult to forecast any changes to inflation.	HRA reserve set and maintained at a level that is deemed prudent.	WHQS shortfall in years 2-30	£262.429m, increased by £160.253m	Reduce the capital program years 2-10	Reduce Environmental capital over the 10 years by £3.584m and new build units by 47 in years 6-10	WHQS now funded	£260.390m in Y25	£245.443m, increased by £143.287m	
5	Rents	Increase Bad Debts by 1%	Covid 19 has impacted tenants ability to pay rents which has been impounded by the increase in number of claimants for universal credit.	HRA reserve has a shortfall of £21.4k in year 1.	WHQS shortfall in years 2-30	£116.585m, increased by £14.409m	Increase the revenue bad debt provision to match the increase in rates and reduce the capital program years 1-10.	Reduce the revenue contribution (RCCO) by £21.4k in Y1 due to increased revenue costs relating to the increase in bad debt provision costs and reduce the capital environmental works by £2.047m in year 1-10.	WHQS now funded	£195.194m in Y20.	£110.901m, increased by £8.725m	
6	Rent and Cost Initiation	Rents CPI +0.5% and RPI+ 1%	2021 is the first year of the new Rent Policy. Rent increase has been fixed for 5 years at CPI (as at the Previous September) plus 1%.	HRA reserve set and maintained at a level that is deemed prudent.	WHQS shortfall in years 2-30	£376.628m, increased by 274.452m	Reduce the capital program years 2-10	Reduce Environmental capital over the 10 years by £1.518m and new build units by 128 in years 5-10	WHQS now funded Year30	£356.220m in Year30	£356.220m, increased by £254.044m	
7	Interest Rates	Interest rate 0.5% higher than anticipated	Uncertainties around Brexit make it difficult to forecast any changes to interest rates.	HRA reserve has a shortfall of £456k in year 1.	WHQS shortfall in years 1-30	£151.339m, increased by £49.163m	Increase the revenue interest payments to match increase in rates.	Reduce the revenue contribution (RCCO) by £456k in Y1 due to increased revenue costs relating to interest costs and reduce the environmental works by £6.283m in years 1-10.	WHQS now funded	£203.497m in Y20	£131.039m, increased by £28.857m	
8	Mgt Costs	Management costs increase by 1% above inflation per annum.	The impact of Covid and the roll out of Universal credit may result in increased management time and therefore costs in recovering rent arrears and debt management.	HRA reserve set and maintained at a level that is deemed prudent.	WHQS shortfall in years 2-30	£142.867m, increased by £40.691m	Reduce the capital program years 2-10	Reduce Environmental capital over the 10 years by £2.124m	WHQS now funded	£202.060m in Y20.	£136.647m, increased by £34.471m	
9	Repairs & Maint	The cost of repairs and maintenance increase by 1% above inflation per annum.	Uncertainties around Brexit make it difficult to forecast any changes to inflation.	HRA reserve set and maintained at a level that is deemed prudent.	WHQS shortfall in years 2-30	£215.334m, increased by £113.158m	Reduce the capital program years 2-10	Reduce Environmental capital over the 10 years by £4.841m and new build units by 13 in years 8-10	WHQS now funded	£233.168m in Y20.	£198.506m, increased by £96.330m	
10	Grant	The annual Major Repairs Allowance (MRA) from WG ceases	The MRA grant is a key funding stream that ensures the Plan remains viable.	HRA reserve set and maintained at a level that is deemed prudent.	WHQS shortfall in years 1-30	£255.499m, increased by £153.323m	Reduce the capital program years 1-10	Reduce environmental capital by £2.5m in year 1	WHQS now funded	£284.705m in Y25	£255.499m, increased by £153.323m	