

SLOUGH BOROUGH COUNCIL

REPORT TO: Neighbourhood and Community Services Scrutiny Panel

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PART I **FOR COMMENT AND CONSIDERATION**

HOUSING REVENUE ACCOUNT BUSINESS PLAN 2017-2047

1 Purpose of Report

Council housing in the Borough is managed through a separate financial account – the Housing Revenue Account (HRA.) This report presents an update on the HRA Business Plan published in October 2016. It is a requirement for local authority landlords to publish a HRA Business Plan setting out its financial commitments and spend priorities for the following 30 years.

2 Recommendations

The Panel is requested to consider and comment on the updated Housing Revenue Account Business Plan.

3 The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan

Good quality homes are integral to the wellbeing of everyone. The provision of low cost, affordable social (council) housing therefore plays a fundamental role in supporting the delivery of Slough's Joint Wellbeing Strategy. The new Housing Strategy will set out how the Council sees its role in improving housing conditions and opportunities in the borough, including in social housing.

Housing and Neighbourhood Services have a wide range of skills, knowledge and legal powers available to officers to take action to address anti-social behaviour and work in partnership with Thames Valley Police to tackle crime and domestic abuse. The Tenancy Sustainment Team work closely with council colleagues to support vulnerable residents, offering a free handyman service aimed at carryout DIY work to prevent falls and other risks of injury within residents' homes. The service takes a holistic approach to responding to the needs of the borough's neighbourhoods and the communities that live in them. Access and customer care are key principles underpinning the Regulatory Framework which applies to the Council's landlord services, requiring Neighbourhood Services to ensure that services are open and accessible to all.

3a. **Slough Joint Wellbeing Strategy Priorities**

The HRA Business Plan links to the following Slough Joint Wellbeing Strategy priorities:

- Health – the links between decent housing and health are well documented
- Regeneration and Environment – the HRA Business Plan sets out how the service will contribute to regenerating and investing in improvements to the built environment
- Housing – The repair, maintenance and investment in the Council's housing assets is funded directly by the HRA
- Safer Communities – The HRA funds the Council's anti-social behaviour service to manage problems that is caused or suffered by the Council's tenants or leaseholders

Cross-Cutting themes:

The Council's approach to managing its housing assets is based on encouraging and supporting its tenants and leaseholders to be accountable and responsible for their actions and take civic responsibility for their homes, their neighbourhoods and the communities they live in. Residents are supported and encouraged to maintain their neighbourhood and their home which, in turn, contributes towards improving the image of the town,

3b **Five Year Plan Outcomes**

The HRA Business Plan will help to deliver all of the Five Year Plan outcomes, but in particular:

- Outcome 1; Our children and young people will have the best start in life and opportunities to give them positive lives;
- Outcome 2; Our people will become healthier and will manage their own health, care and support needs;
- Outcome 4; Our residents will have access to good quality homes

4 **Other Implications**

a) Financial

At the core of the HRA Business Plan is a series of 30 year financial projections. The key financial issues are therefore dealt with in the Business Plan itself.

b) Risk Management

Risk management issues are set out in Section 11 of the Business Plan.

c) Human Rights Act and Other Legal Implications

There are no Human Rights Act implications relating to this Business Plan. There may be legal implications as the details of emerging Government policy are made clear. For this reason the Business Plan will be reviewed again in March 2018 to fully understand any legal implications.

(d) Equalities Impact Assessment

Equality Impact Assessments are routinely carried out as part of operational service delivery and reviews. There are no equality related issues in relation to the Housing Revenue Account Business Plan.

(e) Property

The HRA Business Plan supports the Council's ambition to maintain and invest in its current housing assets whilst continuing to deliver a development programme to build new, affordable homes in Slough. Detailed descriptions of the implications on property are included in the body of the Plan.

(f) Carbon Emissions and Energy Costs

The re-commissioning of the repairs, maintenance and investment contract will provide opportunities to reduce carbon emissions in Council owned homes.

5 Supporting Information

Background to the HRA Business Plan

- 5.1 Slough Borough Council owns and manages over 7,100 rented and leasehold homes. This is the Council's most valuable physical asset. A wide and diverse range of residents are accommodated in council homes across a range of income groups. However, they are a particularly important resource for households on low or modest incomes who cannot afford to house themselves in homes available on the private market. Its significance is increasing as house prices and private sector rents escalate. Demand for council homes is high and far outstrips supply. Council housing is also vital for the economic future of Slough in that it provides affordable accommodation for people who work in the borough.
- 5.2 The Council's ambition is to retain ownership of its good quality housing stock, regenerate areas where this is necessary, build new homes and offer homes to residents at affordable rents. The Your Homes, Our Homes Project is seeing the re-commissioning of repairs, maintenance and investment services which will offer opportunities to invest in Slough's neighbourhoods and communities further and to provide truly customer focussed services to residents. It will also provide the opportunity to build a local, in-house capacity to undertake maintenance work. The Council remains committed to realising its vision of ensuring that neighbourhoods provide a safe and healthy environment for all residents and visitors.
- 5.3 The management and maintenance of council homes is funded through the Housing Revenue Account (HRA.) It is a requirement for local authority landlords to publish a HRA Business Plan setting out its financial commitments and spend priorities for the following 30 years. Slough's draft HRA Business Plan 2017- 2047 can be found at the Appendix to this report. This is an update on the version of the Business Plan published in October 2016. At that stage there was considerable uncertainty surrounding the Business Plan and it was agreed to provide an update in March 2017 when it was hoped these uncertainties would have been resolved.

Key Points from the Business Plan

- 5.4 In the short term the HRA is strong and this will allow the Council to continue to invest £100 million over the next 7 years to repair, maintain and invest in its current stock, whilst realising its ambition to invest £40 million in developing new, affordable, homes over the next 4 years. However, there are significant uncertainties and threats in the near future, including:
- The long term impact on income of the Government taking control of rent setting. Council rents will fall by 1% in each of the 4 years from 2016/17 and the Government's intentions beyond this are unknown.
 - The impact of the forced sale of some 'higher value' Council homes as they become empty to fund the discounts offered to housing association tenants under the Voluntary Right to Buy.
 - The effect on HRA income of welfare reforms and, in particular, the introduction of Universal Credit and further caps on the total amount of benefits that a household can receive.
- 5.5 The plan shows that if the impact of these, operating either singly or in combination, is significant, this could threaten existing investment plans and lead to the Council being faced with difficult choices on how to prioritise investment.

Significant Updates since the October 2016 Plan

- 5.6 A number of significant amendments and updates have been made to the Business Plan since the publication of the October 2016 version;
- **Pay to Stay;** The Plan has been updated to take account of the welcome decision by the Government not to proceed on a compulsory basis with its proposals to charge higher rents to households with a gross household income of over £31,000 per year.
 - **RMI/Stock Condition;** Within the RMI project the Council now has the benefit of headline data from the Stock Condition Survey, estimating investment needs over the life of the Plan. This has shown that broadly speaking budgets for works within the Plan should be sufficient and this has helped remove one area of uncertainty that was discussed in detail in the October 2016 Plan.
 - **Financial Modelling;** The financial modelling and sensitivity analysis in Section 9 has been updated to roll budgets forward one year and to take account of other changes, such as data arising from the RMI project;
 - **Rents on new developments;** Section 8 of the Plan has been amended to reflect the work that is currently in train to update the Council's policies on Affordable Housing, including the idea of a "Slough Living Rent" based around average local incomes.
 - **Options Appraisal;** The Options Appraisal into the future of the Council's housing stock is now well underway, overseen by a Consultative Group chaired by the Cabinet Member for Housing and Urban Renewal. The Group includes residents, an Independent Residents' Adviser, members, officers and external experts who are supporting the process. An interim report on the Appraisal was received by Cabinet on 20 March 2017. In approving the recommendations, Cabinet agreed that in the light of the projected loss of housing stock over the life of the Business Plan, "doing nothing" was not an option. However, Cabinet also formally ruled out the possibility of a large scale transfer of the housing stock to a Registered Provider (Housing

Association) as this was not financially viable. The Options Appraisal is due to report in December 2017.

Outstanding Uncertainties arising from Government Policy

- 5.7 There are two areas in particular where emerging Government policy, or rather the delayed clarification of it, is prolonging major uncertainty within the HRA Business Plan;
- **Rents Policy;** The Business Plan already takes account of the Government's decision to reduce council rents in each of the 4 years from 2016/17. However, Government is yet to announce its plans for rents after 2020. This is affecting the business plans of all social landlords, including housing associations and all local authorities which still own their housing stock. In the Housing White Paper published in February 2017 the Government said it still intended to produce guidance but did not give a date. This is a major uncertainty for the HRA Business Plan in Slough and is discussed in detail in the sensitivity analysis.
 - **Sale of High Value Voids;** Government has legislated to allow it to require local authorities to pay a levy to Government reflecting the local authority's ability to generate receipts from the sale of High Value Void property. Government has confirmed that a levy will not be made in 2017/18 and details of how this provision will work have not yet been published. However, this has the potential to have a major impact on the Business Plan over the next few years.

6 Comments of Other Committees

The October 2016 version of the Business Plan was considered by this Panel on 3rd November 2016 and by Overview and Scrutiny Committee on 12th January 2017. This updated Plan will be considered by Cabinet on 18 April 2017.

7 Conclusion

- 7.1 In the medium and longer term the Council may need to make some tough decisions about priorities for investment and how to mitigate risks to the HRA. Careful management of the HRA up to this point means that the Council is in a position to manage this change successfully and to ensure the Council's housing finances are sustainable in the long-term. The challenge will be to establish whether it can do this without losing its ambition both to maintain existing homes to a high standard and to build new affordable homes for the residents of Slough.
- 7.2 Emerging Government policy, legislative changes, a crucial upgrading in the Council's data around the condition of its housing stock and the potentially transformational impact of a new repairs, maintenance and investment contract, will all take their course during the year following the publication of this Plan. It is hoped that some of the remaining uncertainties about the Plan, particularly Government policy on rents and High Value Voids, will be resolved over the next few months and can be considered within the next update of the Plan in March 2018.
- 7.3 In addition to this, the Council's Options Appraisal on the future of its housing stock is well underway. This will take a long-term view on how the Council can both sustain the existing housing stock in good condition and maximise the delivery of new affordable homes. The Appraisal will report in December 2017 and will be fed into the new HRA Business Plan in March 2018.

8 **Appendices Attached**

'A' - Housing Revenue Account Business Plan 2017-2047