

HMAB HRA BUSINESS PLAN UPDATE, QUARTER 3, 2017/18

Subject: HRA Business Plan Update

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For Information

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Action Required:

To note progress in delivering activities associated with the Housing Revenue Account (HRA) Business Plan at the end of Quarter 3 (2017/18).

1. BACKGROUND:

- 1.1 In November 2016, the Executive agreed a set of revised HRA Business Plan service proposals and financial assumptions that include a significant investment plan to support commitments relating to new build, existing housing assets and service improvements.
- 1.2 A summary of the key activities and investment plans agreed by the Executive can be seen in Appendix 1.
- 1.3 An update of progress to December 2017 is given in Section 2 below.

2. UPDATE

2.1 Housing Development

2.1.1 Affordable Homes Delivery

- A total of 31 affordable homes were delivered from April to December 2017, against an annual target of 42 units. The homes delivered include 22 units at King Pin, 4 units at Vincent Court, 2 Buy Backs and 3 Open Market Acquisitions (OMAs).
- Construction work at the Twin Foxes scheme progressed well in the third quarter.
- The March Hare scheme was granted planning permission on 5th December 2017 and comprises 15 properties.
- Three further Council-owned sites (Symonds Green community annexe, former Shephall Way surgery and 3-5 Ditchmore Lane) have been hoarded and we plan to bring them forward for development in 2018.

2.1.2 New Sheltered Housing Development

- The design for the older persons' scheme at Kenilworth Road continued to be developed in quarter 3, with a second design workshop being run in December by Kyle Smart architects, to enable various SBC teams to input into the process.

2.1.3 Joint Ventures

- Origin Housing Association has commenced a programme of OMAs in Stevenage and is in the process of delivering 10 x 3 bed homes for affordable rent.
- Work continues on the Du Pont site, where SBC have offered grant funding to Metropolitan Housing in exchange for nomination rights to 34 social rented properties.

2.1.4 Capital Expenditure on New Build and Acquisitions

- Spend on Council new build and acquisitions was £2.8m as at December 2017. The revised 17/18 budget presented in the draft capital strategy (February 2018) is £4.8m.

2.2 Housing Investment

2.2.1 Decent Homes

- A total of 335 homes were made decent in the first 9 months of the year.
- At the end of December, 83.72% of council homes were decent against a target of 83.77% (a revised target in line with the revised capital programme).
- HMAB were previously advised of issues experienced with the internal works contract, that resulted in the profile of spend and works being revised. Alternative contractors have been mobilising and the number of homes made decent will increase over the coming months.

2.2.2 Major Refurbishment (Flat Block) Programme

- A report was presented to the Executive in January 2018 recommending the contract award for the Major Refurbishment Programme.
- Mobilisation of the contract is expected to commence in quarter 1 of 2018/19.

2.2.3 Asset Review Programme

- Residents have been consulted at Fred Millard Court about an improvement scheme. This will provide a new main entrance, improved security and access and a new garden area/scooter storage in the existing underutilised courtyard area. Tender returns for this contract have been evaluated and it is anticipated that the scheme will start on site before the end of the financial year.
- A programme of installation of new fire doors commenced in November 2017 and continues across a number of sheltered housing schemes.

2.2.4 Statutory Mechanical and Electrical Engineering works

- A 5 year compliance improvement plan has been established. A new Compliance Manager post is being advertised.

2.2.5 Warm and Dry Homes Programme

- A major contract for external works (insulation, windows and doors) was let earlier this year and the programme is now underway. Delivery of the programme is on track.

2.2.6 Asset Management Strategy

- A new Asset Management Strategy is being drafted and it is expected that it will be recommended to the Executive in September 2018. The revised timescale for the strategy will allow further work to be undertaken to establish the way forward on a number of key areas including the approach to estate management.

2.2.7 Capital Expenditure on Housing Investment

- The 2017/18 budget for the housing investment programme is £12.1m. This is a revised budget, following Executive approval in September to re-profile some major works relating to the decent homes and asset review programmes into 2018/19.
- In-year spend has also been re-profiled to reflect issues experienced in the delivery of some contracts and the re-allocation of some works to alternative contractors. This means that a greater proportion of spend is now anticipated in the final quarter.
- Actual spend at the end of December was £5.4m. This figure excludes works completed and awaiting payment.

2.3 Housing Management and Maintenance Services

2.3.1 Enhancing Our Repairs Service Programme

- The first phase of the Repairs and Voids improvement programme that was approved by the Council's Executive in January 2016 has been completed. A review of the first phase has been commissioned to inform the next phase of the project and ensure that the new business unit management team have complete and informed ownership and accountability for its delivery.

2.3.2 Transforming Housing Management Services ('Housing- All Under One Roof')

- The Housing All Under One Roof Board has identified 22 foundation projects that will be delivered during phase 1 of the programme (i.e. July 2017 to December 2018). The status of the projects is as follows:

Completed	Live	Scoping	Scheduled for a future date	Total
5	6	1	10	22

- The completed projects are: developing a Business Vision; the Big Knock; decision on Northgate Technology; the Income Pilot (which is now being rolled out); and the Management Restructure (the 3 Operations Managers have been recruited).
- The live projects are:
 - **Transformation of Housing Advice** - as part of this project, a new Northgate module was implemented in Q3. (Note: Northgate is the Housing Management IT system.)
 - **Transformation of Supported Housing** – work is currently underway to implement a new supported housing module in Northgate.
 - **Northgate Health Checks** - the first of 6 health checks was undertaken in Q3, resulting recommendations for improving the way we use the rent module.
 - **Enhanced Website Content** - teams are reviewing the content of the housing pages of the current website.
 - **Staff Cohesion** – a team newsletter is being produced on a monthly basis. We are currently preparing for the service away day. Managers are also working on action plan which came out of the September staff survey.
 - **Personal Development and Performance Management** - project focusing on coaching for managers, workshops with staff and developing a training matrix.

2.3.3 Sustainable Services and a Strategic Approach for Older People

- Proposals for new charges for sheltered and flexicare tenants have been approved through the budget setting process and will contribute to the 18/19 savings target.
- The Housing and Investment Business Unit Review will include consideration of the design of our housing services to older people.
- Partnership working takes place through the Hertfordshire Adults Supported Accommodation Strategic Board and the Stevenage Local Area Board (LAB). The Stevenage LAB is developing a preferred model of Extra Care housing for Stevenage.

2.3.4 Service and Support Charges Review

- Work on assessing which (if any) service charges should be de-pooled has commenced. The implementation of this element of the project is planned for 2019/20.

2.3.5 Welfare Reform and Housing and Planning Act Implementation

- The Council is working with partners to pool intelligence and best practice and to develop an appropriate response to welfare reform. Regular meetings are held with the Department of Work and Pensions and the East Herts Housing Benefit Partnership.
- The Government's timetable for the introduction of fixed-term tenancies for new tenants of social housing remains unknown. Similarly, there is no new information on whether the Government will proceed with the Higher Value Void Levy, although it has been confirmed that no levy will be applied during 2018/19.

2.3.6 Allocation Scheme Review

- Proposed amendments to the Allocation Scheme have been consulted on. A report will be taken to Executive in March 2018, recommending changes arising from the review.

3. FINANCIAL ASSUMPTIONS

- 3.1 The revised Medium Term Financial Strategy (MTFS) was presented to the Executive in September, incorporating a refresh of the financial assumptions that were included in the HRA Business Plan report 2016. This included a revised capital programme of £1,155Million with an identified funding shortfall of £26Million over the 30 year period.
- 3.2 Following a Government announcement, the capital programme no longer includes an assumed higher value voids levy of £732k for 2018/19.
- 3.3 The HRA MTFS report recommended a Financial Security (i.e. savings/efficiency) target of £855,000, which is to be identified/implemented over the period 2018/19-2020/21. At the November Executive, Members approved a total of £225,959 HRA Financial Security options, which will contribute to meeting this target and will be implemented in 2018/19.
- 3.4 Members also approved HRA Growth and Service Pressures of £365,092 in 2018/19. This includes the financial cost to the HRA of the Council's Business Unit Reviews (BUR) and ICT Improvement Plan. The growth associated with the BURs was recommended on the basis the right structure would unlock future savings and help meet the Council's Financial Security targets for 2019/20 onwards.

APPENDIX 1: HRA Business Plan Key Activities (agreed by Executive 22.11.16)

**APPENDIX 1:
HRA BUSINESS PLAN KEY ACTIVITIES (AGREED BY EXECUTIVE 22.11.16)**

The tables below summarise the revised HRA Business Plan activities and investment plans, anticipated outcomes and the challenges to be addressed.

Housing Development

FTFC Priority
<ul style="list-style-type: none"> • Housing Development
Outcomes
<ul style="list-style-type: none"> • New council homes, meeting the needs of local people on the Housing Register • Total number of council homes maintained over the 30 year period • Increased income into the HRA
Key Challenges
<ul style="list-style-type: none"> • To mitigate the impact of RTB sales on rental income and council housing supply • To address the shortfall of affordable homes in Stevenage, by providing for new development that meets housing need and by making best use of the stock • To ensure that the sheltered stock is fit-for-purpose, through re-provision of accommodation for older people
Key Activities and Investment
<ul style="list-style-type: none"> • £448m has been allocated to the new build programme over the next 30 years (at future years' prices) • The plan makes provision for £118m of HRA capital to fund the first 10 years of the new build programme, to develop at least 550 new homes. • The initial focus will be on delivering 300 homes by 2021. A schedule of schemes that are underway or in the pipeline were reported to the Executive. • Opportunities to provide additional 'infill' units on HRA property sites will be pursued where funding allows. • The programme will include the development of new sheltered housing accommodation - £8m has been set aside to fund a new improved older persons scheme at Kenilworth Road. • Options for undertaking Joint Ventures with either affordable housing providers or developers are being explored as we seek to remodel or demolish other parts of the HRA stock that are regarded as being failing assets or areas of opportunity for increased and improved housing numbers. • 50% of new build units are offered at affordable rent (AR) levels (i.e. up to 80% of market rent but capped at the Local Housing Allowance rate where applicable), subject to being kept under review by the Housing Development Executive Committee. • The plan now builds in HRA land disposal amounting to £1m in 2018/19.

Housing Investment

FTFC Priority
<ul style="list-style-type: none"> • Investing in Homes to be Proud Of
Outcomes
<ul style="list-style-type: none"> • Tenants living in safe, well maintained, structurally sound, warm and dry homes

- Fit for purpose sheltered stock
- Increased tenant and leaseholder satisfaction with their homes
- Positive return on our HRA assets
- Value for Money achieved through contract procurement and effective programming

Key Challenges

- To continue to maintain homes to the decent homes standard
- To undertake a programme of re-investment in poorly performing properties to ensure a positive return from all our assets
- To ensure that the existing sheltered stock is fit-for-purpose, through investment and re-modelling
- To ensure that procurement activities are robustly planned and delivered and achieve value for money

Key Activities and Investment

- £660m has been allocated to planned maintenance and improvements over the next 30 years (equivalent to £350m at today's prices) – a summary of the HRA Major Works Capital Programme 2016-2046 was presented to the Executive, giving a breakdown of assumed investment by element over the 30 year period.
- The bulk of the programme will continue to involve investment in component lifecycle replacement, in order to maintain homes at the Decent Homes standard. The DCLG's expectation is that at least 90% of the stock should meet the standard.
- A significant proportion of investment (47% over the next 10 years) will be in delivering maintenance and improvements to the Council's flat blocks and surrounding areas, through a major flat block contract.
- £7.4m will be invested in the asset review programme, which involves re-investment in 'poorly performing' properties to ensure a positive return on our assets. The programme includes works to upgrade the public realm, upgrade & remodel flat blocks, improve the standard of sheltered housing and remodel stock to eliminate bedsits.
- Other priorities include statutory Mechanical and Electrical Engineering works and the 'Warm and Dry' programme, which is aimed at improving energy efficiency and tackling damp and condensation issues.
- Planned investment in improvements to parking provision on HRA land will be deferred beyond year 15 of the plan.
- A 1.5% procurement efficiency target will be applied to the entire 30 year major works programme.
- Where redevelopment plans are underway, planned major works investment assumptions will be removed from the capital programme.

Housing Management and Maintenance Services

FTFC Priority

- **Excellent Council Homes – Transforming Housing Services & Sustainable Housing for Older People**

Outcomes

- Responsive, accessible, well-managed services, with a 'right first time' approach
- Flexible support services that adapt to the changing needs and vulnerability of older people living in sheltered/flexicare housing and in the community

- Improved processes and technological solutions that support service delivery
- Improved customer satisfaction
- Transparent service and support charges based on actual costs – i.e. customers clear about what they can expect and only paying for services they receive
- Lettings that achieve a balance between meeting local housing need and promoting sustainable communities

Key Challenges

- To deliver transformative improvements to housing management and maintenance services
- To develop fit-for-purpose services for older residents to meet the needs and expectations of an ageing population, in the context of reduced grant funding
- To ensure that the Repairs and Voids service makes a net contribution to financial overheads
- To implement the requirements of the Welfare Reform and Work Act and the Housing and Planning Act, where possible mitigating against the impact on both customers and the Council's finances
- To ensure that the Allocation Scheme is fair and achieves a balance between meeting housing need, promoting sustainable communities and making best use of the stock, within the legal framework

Key Activities and Investment

- Following an external review of the Repairs and Voids service last year, the Enhancing Our Repairs Service change programme is underway, with the objective of transforming services to the customer and achieving a financially viable Direct Labour Organisation (DLO).
- Outcomes of an external review of Housing Management services that was undertaken in 16/17 will lead to the development of a comprehensive improvement plan supported by growth funding (assumed to be £1.5m over 3 years in the HRA Business Plan).
- The reduction in Hertfordshire County Council (HCC) funding streams for supported housing for older people has prompted a thorough review of the affected services and the development of alternative service delivery proposals, as part of a wider strategic approach to older people's housing.
- The 2014 HRA Business Plan made provision to cover the loss of Supporting People grant for 2 years, following which adjustments were made to gradually reduce funding for older peoples services by £100k per annum over a 3 year period. These reductions have been retained in the revised plan.
- Service and support charges to tenants and leaseholders will be reviewed in 2017/18, leading to the implementation of a new, transparent model from 2018/19 that ensures that actual costs of services provided are fully recovered.
- The Corporate Welfare Reform Steering Group will proactively monitor the impact of welfare reform and develop appropriate responses. A cross-departmental working group has been established to co-ordinate implementation of the relevant measures in the Housing and Planning Act
- The Allocation Scheme and Lettings Plan will be reviewed in 2017.
- Detailed savings options for 2017/18 were presented to the Executive. Savings targets of £200k per annum (at today's prices) will be applied throughout the life of the plan.