

Housing Revenue Account Business Plan

2019-2049

Draft v0.2 Working version 2018

Housing Strategy & Partnerships

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Summary

1. The Housing Revenue Account (HRA) Business Plan is the main financial tool used by Cornwall Council to manage the Council's housing landlord function, setting the priorities for spend and the plans and actions for council owned housing over a 30 year period including a 5 year detailed plan.
2. The main changes that is likely to have an effect on this and future versions of the HRA Business Plan is the recent removal of the borrowing cap.
3. The population of Cornwall continues to grow and in line with the rest of the Country a higher proportion of the population is older which affects the types of homes we need. Housing affordability is a keen concern and many residents struggle to find a home that they can afford to rent and run. New legislation and Government policy changes being introduced will exacerbate the situation and this is likely to have an impact on the amount of rental income coming into the HRA.
4. Cornwall's Strategic Housing Framework sets a vision for the housing sector in Cornwall 'to provide homes where people can thrive'.
5. The priorities that will form the basis of the Business Plan over the 30 year timeframe are:
 - Continue to ensure that all council owned homes meet the [Cornish Housing Standard](#) (an enhanced Decent Homes Standard).
 - Services continue to be delivered to standards agreed in consultation with tenants and Cornwall Housing Ltd;
 - Delivering housing solutions for young people, people over 60 years of age and people of all ages with a disability to maintain independence.
 - Regeneration of HRA land to deliver improved estates and to enable the development of additional homes.
 - Mitigate some of the risks associated with Welfare Reform and the impact on income collection into the HRA.
 - Fire safety continues to be an important consideration and we will ensure that current and future regulations are met. Fire Safety is one of the focuses of the proposed Government green paper.
 - Energy efficiency in properties is an important factor as it can help our more vulnerable tenants keep warm and safe at an affordable cost.
 - Environmental improvements to council owned housing estates.
6. The priorities that are particularly identified for projects in the first five years of the Business Plan (2018/19 – 2022/23) form part of the longer term priorities and will be supported by the identification of specific projects over the short term. These are identified as:
 - Ensuring and increasing the resilience of the HRA by investing to reduce costs or increase income;
 - Ensuring an equity of approach in terms of adaptations – adaptations being available to council tenants on the same basis as they are in the private sector through Disabled Facilities Grant;
 - New build, regeneration, re-modelling & acquisition;
 - Mitigate some of the specific risks associated with Welfare Reform;
 - Fire safety;
 - Energy efficiency;
 - Environmental improvements; and
 - Specific pressure points that arise and are unforeseen.

1. Introduction

1.1 Background

7. The Housing Revenue Account (HRA) Business Plan is the main financial tool used to manage Cornwall's housing landlord function, setting the priorities for spend and the plans and actions for council owned housing over a 30 year period including a 5 year detailed plan. Cornwall Council has full responsibility for the financial management of the HRA and has a business planning process in place to ensure that the priorities of the plan are affordable and deliverable.

1.2 Self-Financing Housing Revenue Account

8. Cornwall Council became self-financing in terms of its HRA in 2012 enabling full control of its housing assets. The Council now collects and retains all of the rental income from its housing assets and must therefore plan for the management, maintenance and improvement of council homes over a 30 year rolling period. The Council is able, with appropriate rent setting policies, management of the budget and efficient operation of the HRA to deliver quality services to tenants.
9. The Government announced the scrapping of the Government cap on how much councils can borrow against their HRA assets on the 3rd October 2018. This was confirmed in a letter from MHCLG on the 18th October 2018¹ announcing that the cap would be replaced with a new determination revoking the limits on indebtedness. This determination revokes all the Limit on Indebtedness Determinations as applied to all / specified individual authorities and amends the Self-Financing Determination to remove reference to the limits on indebtedness. Given that the Limit on Indebtedness was measured against the HRA Capital Financing Requirement, this would suggest that authorities are now able to borrow to meet their requirements, subject to prudential principles.
10. The HRA Business Plan provides tenants, the Council and its partners with the strategic direction and priorities for its landlord services. The Business Plan will demonstrate that we can maintain and improve our housing assets and provide quality, customer focused services to our tenants by being:
 - The financial tool used in managing the landlord and tenant functions of the Council through Cornwall Housing Ltd (CHL);
 - Providing financial advice to inform the Council's strategic housing role;
 - Guiding the asset management strategy, creating investment boundaries within which priorities can be delivered;
 - Developed in consultation with Tenants and Members and provides the framework that determines the balance of resources between investment in existing stock and maintaining day to day activities;
 - Accountable to Tenants in terms of performance and value for money.



2. Context and Key Challenges

11. Housing has an impact on, and is affected by, a broad range of other areas of work. It is important for us to understand these relationships and work closely with our colleagues in other services and organisations to ensure that we are supporting each other's work to improve the lives of our residents.

2.1 Local Context and Key Challenges

12. **Housing need:** the population of Cornwall continues to increase and there is expected to be an additional 76,000 personsⁱⁱ over the next twenty years (2018-2038ⁱⁱⁱ) which equates to an additional 40,000 households^{iv}. In line with the rest of the country, Cornwall has an ageing population. The proportion of people aged 65 or more in Cornwall is predicted to rise by some 55% between 2010 and 2030^v, the proportion of people aged 75 or more in Cornwall will increase by 79% and the number of those aged 85 or more will increase by 106% over the same time period.
13. **Housing supply, types and tenures:** Being a rural area, Cornwall historically contains higher levels of larger and detached homes in its stock and lower levels of the generally more affordable smaller houses and flats when compared to other areas of the country. The construction of many older homes in Cornwall also makes them difficult to insulate and the lack of a gas network to many parts of the area can make heating expensive. **Fuel poverty** is a concern for many, particularly as Cornwall still has comparatively high levels of homes without central heating^{vi} (7.2% compared to 2.7% on average across England).
14. The [Cornwall Local Plan](#) has policies in place to increase the number of homes in Cornwall by at least 52,500 between 2010 and 2030 which will go some way towards accommodating the increasing numbers of households. The Local Plan also has policies in place that will ensure new housing meets local needs and this means more accessible homes and homes that will meet the needs of an ageing population including specialist older persons' accommodation.
15. **Housing affordability**^{vii} is a real concern in Cornwall and the current housing stock profile can limit the ability of many lower income local households to meet their housing need. This is demonstrated by a reduction in the levels of home ownership and increasing numbers of households in the private rented sector^{viii}.
16. In addition, the number of social homes has decreased from 20% of all stock in 1981 to 12% of housing stock in 2011^{ix}. The Council currently owns approximately 10,300 social homes. Plans were in place to use the headroom within the HRA and new Government funding^x to deliver about 280 new homes. Now that the borrowing cap has been removed the Council will re-evaluate its intentions and will aim to deliver more homes within the HRA and further information will be included in future versions of the Business Plan. The Council also plans to deliver up to 1,000 additional council owned homes by 2020 (which will not be included within the HRA).
17. The withdrawal of grant funding to build additional social homes has resulted in new social homes being generally let at 'affordable rents'^{xi} which are more expensive than social rent and these can be unaffordable for those households in low paid employment or reliant on benefits.

18. **Local governance and management:** Corserv is the company established by Cornwall Council to provide strategic direction and oversight for its existing arm's length and commercial trading companies which includes Cornwall Housing Ltd. Corserv will fulfil a number of key roles in terms of developing capacity to deliver a range of back office services to the group of Companies and further support for business growth and development with other potential partners and ensuring that all the companies are committed to growing the economy of Cornwall through an efficient and commercial approach.

2.2 National Context and Key Challenges

19. **Legislative changes:** Cornwall Council has already responded to a number of changes since the preparation of the first HRA Business Plan, including:
- [Right to Buy](#) has been reinvigorated and on average 58 sales per year have been experienced since 2014/15 although this number has steadily increased over this period from 41 in 2014/15 to an estimated 49 in 2018/19 (sales peaked in 2017-18 at 86).
 - The [Homelessness Reduction Act 2017](#) sets out the circumstances that households threatened with homelessness are under and when they should be offered support from local authorities to try and prevent them from becoming homeless. Homelessness trends are rising and there are more applications for housing support and this will lead to a need to enhance housing management for the more vulnerable tenants in Cornwall.
20. Changes to legislation will continue to have an impact on the proposals set out in this HRA Business Plan.
21. **New Government Direction:** The Government released its green paper on social housing^{xii} in England in August 2018. As well as safety issues, the green paper also explored the quality of social homes, the rights of tenants, service management, complaints resolution and the delivery of new housing. This is likely to have an impact on future versions of the HRA Business Plan once more detail is available.
22. The Government has also consulted on the use of receipts from RTB sales^{xiii}. The purpose of this consultation paper is to seek views on options for reforming the rules governing the use of Right to Buy receipts from the sale of council housing, and options for reforming the commitment that every additional home sold (as a result of the increase in discounts in 2012), is replaced on a one-for-one basis nationally.
23. The consultation on 'Rents for Social Housing from 2020/21'^{xiv} sought views on the proposed direction from the Secretary of State to the Regulator of Social Housing on social housing rents from April 2020 onwards. The consultation covers two areas in particular:
- Bringing local authority registered providers within the scope of the Regulator of Social Housing's rent standard; and
 - Permitting registered providers to increase rents by up to CPI+1% each year for a period of at least five years.
24. The Government recognises the role that local authorities can play in delivering new homes as demonstrated by the recent consultations and in addition has removed the 'borrowing cap' for HRA and withdrawn the intention to fund RTB for Housing Associations through selling off higher value council owned assets.

25. **Welfare reform:** is aimed at reducing the overall benefits bill and making work pay, and continues to have an impact on the ability of lower income and benefit-reliant households to meet their own housing need. The main changes which are likely to impact in the early years of this HRA Business Plan include:
- The roll out of [Universal Credit Full Service](#) (UC) started for new claimants in Cornwall from December 2017.
 - Limiting housing benefit^{xv} for working age tenants so it only covers the size of property their household is judged to need.

2.3 Key Risks

26. A significant risk for the Business Plan is the collection of rental income from tenants as:
- Their income from benefits reduces as a result of the benefit cap and they cannot afford to pay all of their rent; and
 - When tenants take direct ownership and control of their budget from benefits through Universal Credit – as this is paid monthly in arrears there is an increasing likelihood of more tenants falling into rent arrears.
27. Other risks that could have an impact on the viability of the business Plan over the next few years include:
- The condition and ageing of council owned stock and the financial capacity required to keep it up to a suitable standard;
 - Increasing re-let times on ‘harder to let’ properties which results in a loss of rental income;
 - The loss to stock through Right to Buy and disposal and therefore revenue through rents which are required to maintain a good standard of housing management;
 - The Council stretching its borrowing capacity to such an extent that it risks the financial stability of the HRA, particularly if an unanticipated or unexpected financial crises arises in the future.
28. The Business Plan has been modelled on a low risk projection of rental loss at this stage as the Universal Credit regime is yet to be fully implemented and it is impossible to accurately predict what the likely impact on rent arrears will be. An additional and cumulative contribution of £250,000 per year will be added to the bad debt provision to reduce the potential impact on the business plan, i.e. £450,000 for 2018/19 rising to £700,000 for 2019/20 and so on.
29. The annual review of the Business Plan will use available evidence on the impact of the roll out of Universal Credit to revise the rental loss risk projection and future versions of this document will be updated to take this into account, together with a review of how much bad debt provision should be allocated.

2.4 Council Response

30. National housing and welfare reform policies continue to deliver significant changes and challenges to the housing sector. The Council will need to update local policy when these changes require it to do so and continue to mitigate the risks faced by tenants and the organisation as a consequence to ensure the continued delivery of the Business Plan.
31. The Council is committed to responding to Government consultations on future direction to ensure that the voice of our services, tenants and local residents is heard and will help shape future national policy.

3. Council and Business Plan Priorities

3.1 Strategic Housing Priorities

32. Cornwall's Strategic Housing Framework set a vision for the housing sector in Cornwall 'to provide homes where people can thrive'. The Strategic Housing Framework will not replace or duplicate other strategies or documents of the Council or Cornwall Housing Ltd (CHL), but will provide a structure so that services complement and support each other, ensuring that Partners are all working towards the same outcomes:



33. The Council, through its strategic housing role and the development of its housing investment plan and proposed budget setting process, has identified that [Corporate](#), Cabinet and Tenant priorities should be delivered as appropriate through the HRA.

3.2 Tenant Priorities

34. A series of focus groups and a dedicated tenant engagement session were used to engage tenants in the full review of the HRA Business Plan process in 2017. This provided tenants with the opportunity to identify their top two priorities which were firstly repairs and maintenance of current stock and secondly landlord services. Support for adaptations was also considered important together with support to move if a tenant in need of adaptations was happy to move to a home that was more appropriate for their needs. There was also agreement that proactively planning to refurbish appropriate homes to meet future need was the right course of action – e.g. wet rooms as standard.
35. This year's Business Plan represents an update – and as such tenants are engaged in the process through their regular Tenants Forum meetings.

3.3 Business Plan Priorities

36. The priorities that form the basis of the Business Plan over the 30 year long term timeframe are:
- Continue to ensure that all council owned homes are maintained and meet the [Cornish Housing Standard](#). The Cornish Housing Standard was developed by tenants and officers and provides a standard of accommodation over and above that proposed by the [Decent Homes Standard](#). All but 2 properties now meet this standard. The Cornish Housing Standard can be amended as required to specifically meet the needs of council tenants and/or a review of the Decent Homes Standard and CHL's new Asset Management Strategy will set out the investment principles and maintenance strategy;
 - Services continue to be delivered to standards agreed with tenants such as the repairs standard;
 - Delivering housing solutions for young people, people over 60 years of age and people of all ages with a disability to maintain independence;
 - Regeneration of HRA land to deliver improved estates and to enable the development of additional homes;
 - Mitigate some of the risks associated with Welfare Reform and the impact on income collection into the HRA;
 - Ensure that all properties meet/exceed fire safety standards;
 - Energy efficiency in properties is an important factor as it can help our more vulnerable tenants keep warm and safe at an affordable cost;
 - Environmental improvements to council owned housing estates.

3.4 Five Year Detailed Business Plan Priorities

37. The priorities that are particularly identified for investment in the first five years of the Business Plan form part of the longer term priorities and will be supported by the identification of specific projects (see section 5 for more detail) over the short term. These are identified as:
- Ensuring and increasing the resilience of the HRA by investing to reduce costs or increase income;
 - Ensuring that homes are available that help older people and those with a disability can maintain their independence, whether this be through adaptation of their existing home, conversion of older persons' housing to extra care schemes or building purpose built units;
 - New build, regeneration, re-modelling & acquisition;
 - Mitigate some of the specific risks associated with Welfare Reform;
 - Ensure our properties meet current and potential future fire safety regulations;
 - Improve the energy efficiency of our homes to help reduce fuel poverty amongst our residents;
 - Implement environmental improvement projects to improve the estate environment and enhance residents' quality of life; and
 - Specific pressure points that arise and are unforeseen.

4. Business Plan Development & Assumptions

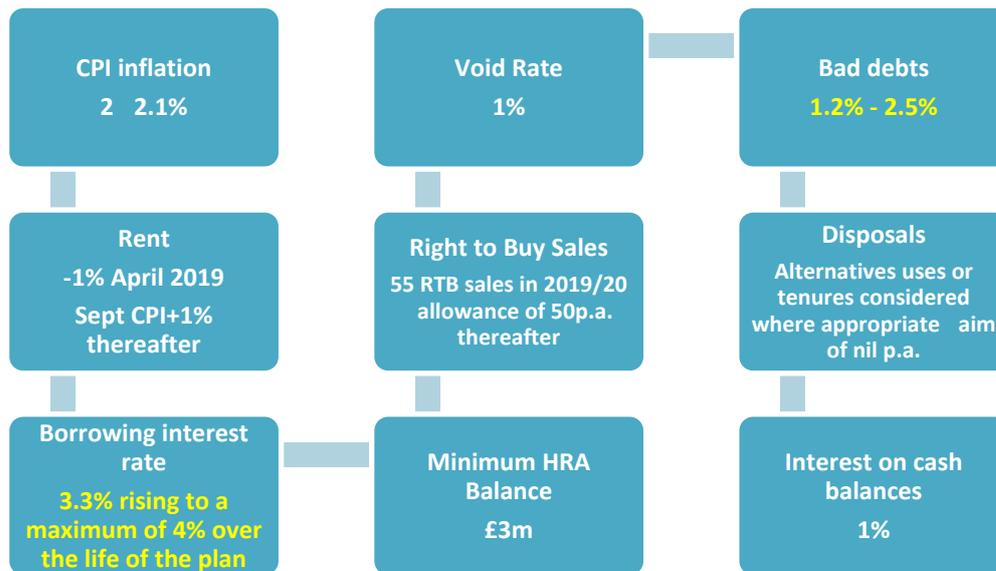
4.1 Process for developing the HRA Business Plan

38. The detailed HRA Business Plan is developed in partnership with Tenants through a series of meetings and engagement sessions. The Plan is taken through various internal Council Team meetings, through the various committee structures and ultimately signed off by Full Council as part of the governance process, including CHL Board. This approach means that the Business Plan objectives are supported by all of our key stakeholders who have an appreciation of the income requirements to deliver our priorities. This version of the Business Plan is an annual update of the detailed Plan.



4.2 Housing Revenue Account Assumptions

39. There are a number of financial elements which need to be factored into the Business Plan and the Council has made the following assumptions when modelling the plan:



Consumer Price Index

40. The Consumer Price Index (CPI) rate used in this version of the Business Plan varies between 2% and 2.1% and this is based on figures as described within the Chancellor's Autumn Budget 2018 statement^{xvi}.

Void Times

41. When a property is vacant no rent is being received to the HRA and this can have a significant impact if the property is empty for a considerable length of time. The implementation of the new IT system together with some changes to the allocations process has resulted in some 'harder to let' properties experiencing longer re-let times which is currently increasing overall void levels. Quarter 2 performance suggests that void rent levels are running at 1.14% currently. Work is underway on an all-encompassing voids/lettings LEAN review process which will run until January, with the recommendations for improvement being timetabled for implementation at that point.
42. The Business Plan models void levels decreasing as performance improves over the lifetime of this 30 year plan. The void rent loss for 2019/20 is estimated to be 1.1% reducing to 1% for the remainder of the Business Plan timeframe.

Bad Debt

43. Arrears may occur due to non-payment of rent and the expectation is that the majority of this delayed income will be recouped. However, provision does need to be made to account for bad debt – this is income the Council does not expect to receive and is 'written off' as it is related to arrears where the chances of the tenants paying are very low.
44. Universal Credit (UC) started to be implemented in Cornwall from December 2017 and the risk assessment identified that the impact of UC would require the bad debt 'pot' to be increased year on year by £250,000 until UC is fully implemented – currently expected to be by 2023.

45. £200,000 was provisionally identified to cover any non-Universal Credit related bad debt at the start of the 2018/19 accounting period and £250,000 was added to cover any Universal Credit related bad debt. The bad debt 'pot' to cover any possible shortages in rental income for 2019/20 is £700,000.
46. Bad debt figures will be tested regularly so that adjustments to the Business Plan can be made in good time if required and the money set aside to cover bad debt can be re-assigned if it is not required for this purpose.

Rent Setting Policy

47. The Welfare Reform Act required the Council to plan for a 1% rent reduction for 4 years from 1st April 2016 and the remaining year of this policy falls within this new 2019/20 Business Plan period.
48. Rent policy is currently modelled on CPI plus 1% after 2019/20 and the Government has confirmed^{xvii} that this is the agreed figure from 2020/21. The Government has recently consulted^{xviii} on the replacement of the current policy and a new document will be prepared based on the proposed direction. This new policy document will have no pre-determined end date as the government has made clear its intention that the CPI+1% policy should remain in place for a period of at least five years. Rent setting policy will be reviewed on an annual basis to inform the rolling 30 year Business Plan.
49. The current Service Charges review aims to introduce new service charges by April 2019 which accurately reflect the costs of services provided to Council tenants, leaseholders and where applicable, Right to Buy freeholders or their successors in title. It is anticipated that this will bring in an additional £240,000 income per annum into the HRA during 2019/20 which will increase to around £310,000 by 2021/22 once the phased introduction is complete.

Fluctuating Stock Levels

50. The numbers of council owned properties that are managed through the HRA had been reducing by up to 80 properties per year through a combination of Right to Buy and disposals. This has an impact on the amount of rent that is received over the 30 year plan period and will also have an impact on the new management fee which will be increased or reduced to reflect actual property numbers in HRA stock and managed by CHL on an annual basis.
51. **Right to Buy:** has been reinvigorated and on average about 58 sales per year have been experienced since 2014/15 although this number has increased over this period from 41 in 2014/15 to an estimated 49 in 2018/19 (sales peaked in 2017-18 at 86). Council owned stock in Cornwall is still considered likely to attract RTBs and the Business Plan will include an estimate of 55 per year for 2019/20 and then gradually reduce the level towards 50 per year by the end of the plan period. A proportion of the capital receipt from RTB currently goes to Treasury.
52. **Disposals:** The Council and CHL will always seek to provide the most suitable homes for our customers' needs. There are many types and ages of homes owned by the Council, not all of which will be suitable in the short, medium or long term. The Council and CHL are committed to providing homes that are affordable, high quality and secure, whilst making best use of its assets to deliver a fit for purpose property portfolio.
53. As part of the ongoing asset management of HRA stock there will be some homes that are identified as poorly performing for a number of reasons. An early stage in the assessment of these properties

will involve the consideration of alternative tenures or uses of these properties in order that they be retained within the HRA rather than be disposed of.

54. The intention of the Council is to work towards ensuring that no properties are lost to the HRA through disposal - although the likelihood is that there will be occasions where certain homes should and will be recommended for disposal given the level of investment required to bring the property up to a good standard. Where HRA properties are recommended for disposal the HRA capital receipt will be used to provide additional homes. In the first instance the receipt will be allocated to the HRA land and acquisitions reserve to support the Council's new build affordable housing programme.

4.3 Other Assumptions

Depreciation

55. The Government has introduced a new adjustment factor related to the increased value of social homes and this will increase depreciation levels over the 30 year Business Plan period. This adjustment will increase the Existing Use Value for Social Housing (EUVS-SH) from 31% to 35%.

Reserves

56. With the resources now available within the Council's new Housing Service it is expected that the majority of larger new development and regeneration schemes will be delivered through the Council's new Housing Delivery & Development Team. CHL will work with the Housing Delivery & Development Team to identify suitable sites and lead on tenant engagement. The Council does not currently expect CHL to deliver any new homes within the HRA and therefore the level of reserves should revert to the minimum required.

Other Revenue Demands

57. A small contingency pot of £1m (£0.200m p.a) will be set aside to deal with any other unexpected revenue demands that might arise over the 5 year detailed plan period.

5. Key Projects for the Detailed Five Year Business Plan – Update on Progress

58. Funding is available from a number of ‘pots’ within the HRA and it is proposed that a proportion of the available funds should be used to deliver some of the key projects identified for the five year business plan. Some of these funding sources can only be used in very specific ways which can limit the use the money can be put to. The ‘pots’ of money forecasted to be available at the start (i.e. opening balance) of the 2019/20 Business Plan include:
- Revenue Reserves in excess of the £3m minimum required could realise about £6.500m;
 - New build/acquisition reserve of about £4.100m;
 - Major Repairs Reserve of about £2.300m (can only be spent on repairs and maintenance of existing assets or be used to repay debt);
 - Capital Receipts from disposals of about £10.000m;
 - Capital Receipts from RTBs of about £7.000m – this money can be used to fund 30% of a new development as long as no grant funding is also used.
59. In 2018/19 it was intended to use borrowing up to the HRA debt cap to realise a further £16.5m – however given recent announcement the Council can now borrow within prudential borrowing rules.
60. Underpinning the five year detailed Business Plan is the Council’s commitment to ensuring that the resilience of the HRA is maintained and increased – and this will be achieved by either investing to reduce costs or investing to increase income. For example, the current review of service charges will ensure that all tenants pay for the services they receive. This is anticipated to increase income by some £240,000 initially and by £310,000 once the phased approach is fully implemented.
61. The Business Plan funds the five year (2018/19 - 2022/23) detailed priority projects as follows.

5.1 Delivering housing solutions to maintain independence for older people and people with a disability

62. **Adaptations:** In terms of adaptations to properties to meet the needs of existing and future tenants CHL will ensure adaptations are available to tenants assessed as needing them to maintain independence. A budget of £1.2m per year is identified as being necessary to fund adaptations to properties within the HRA for both existing and new tenants.
63. To support this priority, CHL have expressed a desire to become more proactive in ensuring that council owned stock will meet future need and will plan to make certain types of properties suitable for prospective older and less able tenants by, for example, substituting bathrooms with wet rooms when they are due for replacement. During 2018/19 CHL have been adapting ground floor flats within Cat 2 type schemes, and wet rooms are now being installed instead of level access showers. This better provides for future adaption should the installation of a bath be required and reduces some of the additional cost whilst maintaining future flexibility.
64. **Older Persons:** The Council and CHL are collaborating with Partners to support this priority and work is already underway on two council owned schemes:
- Whites Close, St Agnes is a HRA owned ‘sheltered’ housing scheme of 31 flats and will be converted to an Extra Care scheme with a commissioned 24/7 care and support team based at Whites Close. Children’s, Families and Adults have committed £500,000 in Social Care Capital

Grant (SCCG) to refurbish and redesign the flats. The work to the flats will increase natural light, give tenants access to outside space from their home, improve access around the home by providing an open plan design and provide fully accessible bathroom facilities. 21 of the 30 flats will be completed by January 2019 with the remainder converted as they become vacant

- Bederkesa Court, Bodmin is a HRA owned 'sheltered housing' scheme of 37 self-contained flats with large communal facilities. Currently there are no care and support staffs based on site although a number of people receive care both formally and informally. A capital investment of £250,000 from Children's, Families and Adults Social Care Capital Grant (SCCG) to improve and modernise the communal facilities will convert Bederkesa Court to an extra care scheme on a phased basis with the long term intention for a 24/7 commissioned care and support team based onsite by 2022. The start of this project has been delayed until April 2019 to allow for the whole of property ground source heating system to be installed.

65. Work is also underway to understand the number of existing and future tenants who might need homes that can meet wheelchair user requirements and future versions of the Business Plan will include more detail on how this will be taken forward. This is likely to be delivered through a combination of the development of new homes and the adaptation of existing homes which is bespoke to the tenant. Opportunities to improve accessibility will be taken where appropriate, and a recent example of this is White's Close which has been adapted to provide open plan spaces with widened door openings for wheelchair users.

5.2 New development, Re-Modelling, Regeneration & Acquisitions

66. **New development:** the Housing Service will deliver over 320 new homes through the use of the new build/acquisitions reserve, capital receipts from RTB, Homes England grant, s106 obligations and borrowing as required. This will be through two distinct development programmes: HRA 1 (c.170 units), which was approved by Cabinet in February 2018 (for which first completions have already been achieved); and HRA 2 (c.150 units), which is subject to the approval of this Business Plan. The Council will be increasing delivery following the lifting of the HRA debt cap, and the Business Plan includes an additional 100 homes per year modelled into the 4 year detailed Capital Programme. There will need to be further work on the detailed modelling of this as well as modelling for future provision beyond the 4-year detailed plan.
67. In terms of new developments, plans are in place to develop:
- 37 additional properties by March 2022 in HRA1, including 12 additional units extra care units at White's Close by March 2022. In addition - 7 additional newly developed units have been acquired at Porthpean Road, St Austell; 7 units at Lantoom Meadows, Dobwalls; and 4 units at Withnoe Farm, Launceston in 2018/19 and a further 44 newly developed units are identified for acquisition into the HRA by March 2022;
 - In terms of HRA2, plans are in place to develop at least an additional 70 units by March 2023 and an additional 16 newly developed homes are proposed for acquisition in Bodmin by March 2022.
68. The intention for new development within the HRA is to deliver new homes predominantly for social rent. However there may be occasions when the financial viability of a scheme dictates that some homes may need to be let at affordable rents. For example, one of the seven schemes within the proposed HRA2 programme will need to be delivered for affordable rent for financial viability reasons. There may also be occasions on larger sites where a mixed tenure (i.e. social and affordable rent) approach is considered appropriate.

69. **Re-modelling & Regeneration:** of existing HRA stock will be supported on the basis of a clear identification of the need for such a scheme and the preparation of a robust business case including a clear options appraisal and exit strategy as required. Each scheme will be assessed on its own merits and approved through the Council's Investment & Commercial Board (ICB) route.
70. There is also a requirement for shared accommodation, with some support on occasion, for single young people who are only entitled to claim a shared room rate. A pilot project was developed to provide a shared home for 3 young care leavers in Truro from November 2017. The learning from this project will form the basis of future work. As a consequence there is an expectation that at least 2 properties with 3 bed spaces each will be delivered per year to help address this issue. These units will be delivered through conversion of existing stock or through the acquisition of purpose built shared accommodation.
71. An additional sum of £200,000 per year has been allocated to support the development of age related accommodation for the first five years of the Business Plan – and this will be used to fund either young persons or older persons' accommodation.
72. The Council will work in partnership with CHL to regenerate a number of estates. The Council's Housing Service will be responsible for the design and delivery costs of these regenerated estates and CHL for the identification of the sites, tenant engagement and decant costs. CHL have successfully bid for DCLG funding to undertake a feasibility exercise for regeneration of one of the Council's Estates and this will form the foundation for the future approach. The HRA BP will review and set out how HRA funds will be used for future re-modelling and regeneration schemes.
73. The Council will work in partnership with CHL to identify a number of garage sites that are suitable for regeneration to provide additional homes. Potential sites and proposed options will be identified through CHL's Asset Management Strategy.
74. **Acquisitions:** HRA funding can be used to acquire land and also be used to acquire homes. There may be occasions where it is sensible to acquire a property to meet a specific need, buy back a RTB property, or acquire land to unlock future development. Plans in place include:
- A sum of £1m is available each year to buy back former RTB properties or to acquire homes to meet specific needs – this sum can be increased as required;
 - Council owned land at Adela Road, Torpoint; Murdoch & Trevithick Centre, Redruth; and land at Bosvigo Car Park, Truro is proposed to be appropriated from the General Fund into the HRA. Land at Churchtown Farm, Veryan will be appropriated from the County Farms Estate into the HRA.

5.3 Welfare Reform Mitigations

75. The rollout of Universal Credit (UC) Full Service will bring additional pressure to bear and is likely to lead to high levels of rent arrears for some tenants if the outcomes from pilot sites across the Country are replicated in Cornwall. An additional £250,000 per year has been identified to help mitigate against welfare reforms as a five year priority.
76. Cornwall Housing Ltd has managed high levels of performance around rent and income collection for the Business Plan and this continues to be supported by dedicated welfare initiatives such as tenant profiling and Tenant Inclusion Officers. CHL have recruited 3 additional Inclusion Advisors during the last 2 years to enhance current provision.

5.4 Repairs & Maintenance Programme - Specific Pressure Points

77. There are a number of new issues that need addressing in the Repairs & Maintenance Programme and as they were previously 'unforeseen', additional money has been found within the HRA to address them until they are absorbed into normal costs. These 'pressure point' issues are:
- **Radon Testing:** initial funding is required for inspection, remedial works and renewals. This is a statutory area of activity and minimal work has been carried out over the last 15 to 20 years. It is anticipated that there is a requirement in 2018/19 for some £200,000 to £250,000 to bring the activity up to specified standards. These radon pumps will then need to be annually serviced and it is projected that an annual contract for servicing from 2019/20 will amount to around £75,000 per annum. In 2018/19, the focus has been on radon testing and some remedial measures such as positive input ventilation systems. In 2019/20 the focus will be on responding to the outcomes of the testing and routine maintenance of existing systems such as sumps.
 - **Trees:** remedial follow up work is estimated to cost some £75,000 to £100,000 per annum for the first five years of the new Business Plan. Once all the inspections are up to date at this point the cost is estimated to be about £30,000 per year from 2023/24 which is not currently included in the grounds maintenance budget.

5.5 Safety including Fire Safety

78. CHL has reviewed the fire safety of all the homes it manages to identify if there is further action that can be proposed to the Council. An additional £400,000 is being made available each year for the three years between 2019/20 and 2021/22 for additional fire safety improvements, totalling £1.2m overall. This commitment is identified in the Corserv Business Plan. This money is likely to be spent in response to future improvements required through legislative change or guidance to enhance safety. For example, there will be additional costs for fire doors as a result of new testing regimes and upgrades are required in council owned non-dwelling and/or communal areas (such as reducing the risks from fires within attached bin stores).
79. As part of ongoing safety improvements:
- Heat detectors are being installed as standard as part of any rewiring or kitchen upgrading works from 2018/19 onwards;
 - Carbon monoxide alarms are already installed in all council owned homes with fossil fuel heating systems.

5.6 Energy Efficiency

80. Poorly insulated homes and limited access to cheaper forms of energy such as gas leads to many households suffering fuel poverty. Fuel poverty impacts significantly on a person's quality of life and can impact particularly negatively on children's ability to learn. Families living in these types of homes may struggle to afford to heat their homes adequately especially as energy costs continue to rise and this can lead to significant health problems.
81. This is a key priority area for the Council and the Capital Programme already has £400,000 allocated to the five year period to this project. To assist our more vulnerable tenants, the Business Plan has set aside an additional £300,000 (£100,000 each year from 2019/20 to 2021/22) in the five year detailed plan for projects that will improve energy efficiency in council owned homes. This is likely to take the form of improving thermal comfort and reducing energy running costs.

82. CHL aims to improve the quality of council owned homes to maintain the fabric of the building including the insulation of homes as required and reduce repairs. The intention is to build on existing work which currently helps approximately 200 tenants a year by implementing new initiatives. This commitment is identified in the Corserv Business Plan.

5.7 Environmental Improvements

83. Estate improvement works to improve the external environment quality will include such activities as replacing resource intensive landscape with easier to maintain options and improving the look, feel and use of green space on estates. This could include significant remodelling of external space, the inclusion of 'Green Gyms' and active play space, or more straightforward single improvement initiatives.
84. In 2018/19 an additional £1.5m was identified for estate improvement works at £500,000 per year between 2019/20 and 2021/22 in addition to the sums already accounted for in the Capital programme. This commitment is identified in the Corserv Business Plan. In preparing the budget for the 2019/20 version it was identified that this sum was likely to be required on an annual basis - and as a result £500,000 per year has been added throughout the 30 year business plan in order to invest in estates improvements.

6. Performance Monitoring & Value for Money

6.1 Performance Monitoring

85. The business plan is a dynamic, working document. As such it is essential that it is regularly reviewed and updated. The HRA business plan will be monitored against the Council's strategic housing priorities and the performance measures in place. It is not intended that the Council will monitor the day to day delivery of the plan by CHL - it will focus on service outcomes and financial performance.
86. The intention is to expand this chapter over future years to provide more information on how the HRA is performing.

Performance Reporting

87. Cornwall Council's Housing Service will work closely with CHL on a quarterly and annual basis to ensure that the delivery plan, annual service plans and targets adequately reflect the Council's strategic housing priorities and performance requirements. In terms of the HRA:
- Capital Programme - CHL will produce a programme of capital works that is required to deliver the Cornish Housing Standard and other priorities as set out in the capital programme. This will form the basis of the annual programme of investment that would be agreed prior to the start of the financial year.
 - Financial Reporting - the Council will seek assurance on the business and financial health of CHL through performance management arrangements. This will include the evaluation of revenue and capital expenditure, financial management and performance, annual budgets, operational plans, income collection and annual accounts.
 - Business Plan Assumptions - the assumptions used to model the business plan will be reviewed at our quarterly HRA business planning meetings to ensure that they are still accurate and affordable. Of particular importance will be updated position statements on the impact of welfare reform to our income collection and bad debt provision.
88. On a monthly and quarterly basis, CHL will report a single set of operational performance data and a single set of financial performance data. These will be delivered in an agreed format and the same single set of data will be used to supply a number of reporting requirement, groups and meetings.
89. The following key performance indicators are used to measure the effectiveness of performance in terms of the HRA Business Plan as well as being key performance indicators used in the current contract/service plan. Each measure identifies the target and result (latest position) and how the measure relates to different programmes of activity:

Measure	2017/18 Target (Actual)	2018/19 (Q1/Q2)
% HRA rent collection ^{1,3,4,5}	99% (99.75%)	98.5% (Q1 101.45%/Q2 99.56%)
HRA rent arrears as % of rent due (exc. Voids) ^{1,3,4}	3.38% (2.39%)	3.88% (Q1 2.42%/Q2 3.07%)
Average re-let times in days (standard HRA) ⁴	24 (23.5)	22 (Q1 28.29/Q2 25.37)
Average re-let times in days (all HRA) ⁴	38 (31.09)	35 (Q1 39.6/Q2 36.37)
% of properties meeting Cornish Housing Standard ^{1,2}	100% (99.04%)	100% (Q1 99.42%/Q2 99.98%)
% Capital Programme spent ^{1,2,3}	100% (90.96%)	100% (Q1 15.64%/Q2 43.65%)
% of Capital Works Completed	(94.56%)	100% (Q1 18.33%/Q2 30.85%)

Notes:

1 = Current Contract/Service Plan Key Performance Indicators

2 = Capital Investment Programme

3 = Financial Reporting

4 = Business Plan Assumptions

6.2 Monitoring of the Five Year Detailed Business Plan Priorities

90. A number of priorities were identified for investment in the Business Plan five year period 2018/19 – 2022/23 to be supported by the identification of specific projects over the short term (see chapter 5 for more detail).
91. The following key performance indicators are used to measure the effectiveness of performance in terms of the five year priorities, and each measure identifies the annual spend dedicated to these specific projects that is in addition to spend already allocated within the Capital Programme together with spend to date – please note that as 2018-19 is the first year of the new Plan not much data is available at this point):

Measure	2018/19	2019/20
New development, regeneration & acquisition - % annual sum spent		
• Age related accommodation	£200k (Q2 - tbc)	£200k
Welfare reform mitigations - % annual sum spent	£450k (on track)	£700k
Repairs & Maintenance pressure points – % annual sum spent		
• Radon testing £250k then annual £75k;	£250K (Q2 0%)	£75k
• Trees £100k for 5 years then £30k pa	£100k (Q2 24%)	£100k
Energy Efficiency - % annual sum spent (£100k p.a. for 2019/20-2021/22)	n/a	£100k
Fire Safety - % annual sum spent (£400k p.a. for 2019/20-2021/22)	n/a	£400k
Environmental improvements - % annual sum spent (£500k p.a. from 2019/20 – no end date)	n/a	£500k

92. Tree inspections are underway and on target to achieve 2018/19 programme. Where trees have been removed, the plan is to replant trees in improved locations.

6.3 Value for Money

93. Value for money underpins all aspects of the business plan including Business Plan priorities, tenant priorities and reviewing overheads and support costs.
94. Achieving value for money includes achieving economy, efficiency and effectiveness in all areas of activity, taking into account the outputs achieved as well as input costs. Economy, efficiency and effectiveness are defined as:
- Economy: minimising the cost of resources used while having regard to quality;
 - Efficiency: the relationship between the output from goods or services and the resources to produce them;
 - Effectiveness: the extent to which objectives are achieved and the relationship between intended and actual impacts.
95. Value for money can be said to be provided not only on costs but also how satisfied customers are with the service provided. The following key performance indicators are provided to give some indication of tenant satisfaction levels in three areas:

Measure	2017/18 Actual	2018/19 Target (Q1/Q2)
Satisfaction with planned works	97.24%	88% (Q1 na/Q2 90%)
Satisfaction with void works	88.09%	83% (Q1 79%/Q2 73.3%)
Satisfaction with repairs	78.58%	84% (Q1 77%/Q2 81%)

96. To provide assurance that services provide value for money the HRA will also benchmark a number of cost and performance results through Housemark to provide an overview of how Cornwall Housing performance compares to a peer group of authorities within the sector rather than to the sector as a whole.
97. The table below gives some indication of how well Cornwall Housing is performing compared to its peers against a number of industry standards (2016/17 data only available). Quartile 1 contains the best performing 25% of authorities in Cornwall Housing's peer group, Quartile 4 are the worst performing 25% of authorities.

Measure	2016/17		
	Cornwall Housing	Peer Group Average	Quartile
Costs			
Overheads as a % of direct revenue	12.93%	25.6%	1
Total cost per property: housing management	£281.69	£390.97	1
Total cost per property: responsive repairs and void works	£885.03	£744.57	4
Total cost per property: major works and cyclical maintenance	£1,493.62	£1,389.16	3
Performance			
Satisfaction that rent provides VFM	90%	86.8%	1
Total tenant arrears as % rent due (excluding voids)	2.92%	3.83%	2
Average re-let time in days (standard re-lets)	28.66	22.55	3
Rent loss due to voids	1.28%	0.82%	4
Satisfaction with repairs (transactional)	96.9%	94.7%	2
Average number of calendar days to complete repairs	10.3	9.08	3
Tenancy turnover rates	6.99%	7.46%	2
Average SAP rating	67	71.27	4
Average number of days lost to sickness	12.44	8.84	4

98. Key findings and resulting actions:

- Costs associated with overheads and housing management were low for CHL when compared to its peers but were high in terms of responsive repairs, void works, major works and cyclical maintenance.
- Satisfaction that rent provides value for money demonstrates that CHL is within the best performing 25% of authorities in its peer group.
- Tenant arrears as a % of rent due is above the median figure for the peer group and CHL has indicated that it hopes to achieve and then maintain an upper quartile position from 2019/20.
- Average re-let times in days for CHL is below the median position for the peer group. Q1 figures for 2018/19 show a worsening position which might indicate that CHL's objective of improving performance against peers to achieve an upper quartile position by 2020/21 will be challenging. The length of time taken to re-let properties has an impact on rent loss due to voids and CHL is in the worst performing 25% of authorities in its peer group.
- Satisfaction with repairs on a real time basis (transactional) is good and Cornwall Housing aims to achieve an upper quartile position in 2018/19 and then maintain this position.
- In terms of the average number of days to complete repairs, CHL is not performing well in comparison to peers as performance is below the median figure.
- Tenancy turnover rates place CHL above the median figure when compared to its peers.
- Investment is required in stock that is not well insulated, hence the low SAP rating, there is a programme in place to address these
- Sickness is high in comparison to CHL's peers.

99. It is anticipated that from year 6 (2023/24) onwards the Council will require CHL to start improving overall performance toward achieving an upper quartile position for all key performance measures.

7. Governance and Tenant Involvement

7.1 Governance – How Council Decisions are made

100. Governance is how the Council operates and makes decisions. Good governance structures make sure that decisions take public opinion into account, reflect and respond to the needs of local people and are transparent and accountable.

The Council's System of Governance

101. The Council has 123 Councillors representing Cornwall and together they form full Council. Full Council meets approximately every six weeks and sets a) the budget for the year and b) the business plan which sets out the policies and plans the Council wants to achieve.
102. Cornwall's governance structure is a leader and modified cabinet. Full Council elects a Leader who is then re-elected annually. The Leader chooses nine Councillors to form a Cabinet. The Cabinet's responsibilities are divided up into portfolios and each cabinet member is responsible for a portfolio of work. The Leader and Cabinet take decisions to deliver the business plan and these must be within the budget set by full Council.

Economic Growth & Development Overview & Scrutiny

103. The Economic Growth & Development Overview & Scrutiny Committee's main function is to provide effective critical friend challenge and policy development as part of the decision making process to improve outcomes for the residents of Cornwall. The Committee's remit relates to the discharge of functions relating to the operation, planning and provision of a range of issues including the Local Plan; public transport; parking; economic growth and development including culture; the skills agenda and housing.
104. This Committee will recommend decisions be taken to Cabinet and Full Council as required. The HRA Business Plan, budget and rent setting is one of those items that needs sign off by Full Council.

Internal Governance

105. Before any report goes to Committee a number of internal sign off stages form part of the governance process, including Service Leadership Team, Directorate Leadership Team and Council Directorate Team.

7.2 Tenant Engagement

106. Tenant priorities are identified on an annual basis and used to develop the HRA Business Plan and Budget (see section 3.2). This opportunity is also used to discuss rent levels for future years which are generally based on Government guidance.
107. Council tenants worked with CHL to develop the [tenant participation compact](#) which is an agreement between council Tenants, Cornwall Housing and Cornwall Council about how they will work together in partnership to develop, shape and improve services for tenants and leaseholders across Cornwall. The aim of the Tenants Compact is to ensure that every tenant enjoys a safe, secure and affordable home in an agreeable environment as well as providing an assurance for tenants that they can influence and shape Cornwall Housing's services.

References

- ⁱ [MHCLG \(2018\) Removing the Housing Revenue Account Borrowing Cap](#)
- ⁱⁱ [ONS \(2015\) 2014 Based Sub National Population Projections](#)
- ⁱⁱⁱ Projections are only available for 25 years from the base date and information is not available for the whole 30 year period of the HRA BP
- ^{iv} [DCLG \(2016\) 2014 Based Sub National Household Projections](#)
- ^v [Cornwall Council \(2015\) Specialist Housing for Older People](#)
- ^{vi} ONS (2011) 2011 Census Table KS403EW
- ^{vii} [Cornwall Council \(2015\) House Prices and Affordability](#)
- ^{viii} [Cornwall Council \(2015\) Private Rented Sector](#)
- ^{ix} [Cornwall Council \(2015\) Housing Mix, Types and Tenures](#)
- ^x [MHCLG \(2018\) Additional Housing Revenue Account Borrowing Programme: Prospectus](#) Cornwall is identified in this prospectus inviting local authorities in areas of high affordability pressure to bid for additional borrowing to build new council housing
- ^{xi} Affordable rents tend to be rents set at 80% of market rent whereas social rent is generally around 50% of market rent.
- ^{xii} [MHCLG \(2018\) A new deal for social housing](#)
- ^{xiii} [MHCLG \(2018\) The use of receipts from RTB sales](#)
- ^{xiv} [MHCLG \(2018\) Rents for Social Housing from 2020/21](#)
- ^{xv} [DWP \(2017\) Housing benefit](#)
- ^{xvi} Consumer Prices Index (CPI) inflation stood at 2.4% in September 2018. The [OBR forecasts](#) CPI inflation to be 2.6% in 2018 and it is then expected to be around 2.0% for the rest of the forecast period.
- ^{xvii} [DCLG \(2017\) Government announces five-year rent settlement](#)
- ^{xviii} [MHCLG \(2018\) Rents for Social Housing from 2020/21](#)