Housing Revenue Account Strategic Business Plan

Better Homes - Brighter Futures

30 Year Picture and Delivery Plan 2012 to 2017

Wigan Council

WIGAN & LEIGH HOUSING
Better Homes, Brighter Futures

A New World – Housing Revenue Account Self-Financing

This chapter explains a major change to the financing of Council housing and why an HRA business plan is important.

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From April 2012 one of the most fundamental changes to the financing of Council housing since the introduction of the Housing Revenue Account (HRA) has taken place.

The Government's subsidy system for Council housing, which provides positive subsidy for some councils and takes negative subsidy from others, ends. Councils will be free to keep the rental income from their properties in return for a one off debt settlement. The debt settlement is based on the Government's estimation of each Council's 30 year required expenditure, resources and outstanding debt. Some Council's have a positive debt settlement others a negative one. Councils will in the main be masters of their own destiny, subject to Government policy on rent convergence. They will need to manage the risks associated with this freedom and agree priorities for investment and management with their tenants.

Nationally the HRA debt settlement is around £30 billion and the impact on individual councils varies significantly. In Wigan the debt settlement payment to the Government is £99 million for the 22,600 properties. Current estimates indicate that in Wigan, subject to assumptions on risks, there will be sufficient resources over a 30 year period to maintain the stock to the Government's current decency standard and provide effective management. It is also estimated that there will be around £36 – 38 million additional borrowing headroom within the Government's £356 million total debt cap to deliver a number of other agreed improvements.

THIS IS A POSITIVE OUTLOOK COMPARED TO WIGAN'S PREVIOUS NEGATIVE HOUSING SUBSIDY POSITION THAT INVOLVED AN ANNUAL PAYMENT TO THE GOVERNMENT THAT WAS ALMOST £8MILLION IN 2011/12.

There are, however, significant risks around the new system that will need to be monitored and managed.

With greater freedom comes responsibility. The Council's role is to ensure, through its plans and delivery partners, that the Council's housing stock and the income it generates is used to best effect to meet the changing housing needs within the borough. The HRA Business Plan is not an end in itself but a means of managing a viable housing business account over a 30 year period.

The aims of the 30 year business plan are to:

- To set out the strategic context, operating environment, vision and clear objectives.
- To set out the estimated stock and management needs over a 30 year period, against the available resources to ensure a viable business and housing stock.
- To establish a cyclical 5 year asset management process which produces 5 yearly plans. These will set clear priorities and allocate resources to deliver the Vision for the housing stock and services. The process will ensure the information needed to plan the longer term priorities and programmes is robust.
- To set out strategies to maximise the value achieved from resources and to maintain the affordability of housing.
- To ensure efficient and effective management of housing services to deliver high levels of satisfaction for customers.
- To identify the main risks and identify strategies to manage risk pro–actively and effectively.
- To set out sensitivity analysis on deliverability of the plan with changes in risk assumptions.

Partnerships are key to improving both the standard and supply of the Council's housing and the quality of life on estates. The business plan will not be delivered in isolation. Many partners will be involved but the current key partnerships are with Wigan and Leigh Housing (WALH), the Arms Length Management Organisation that manages the housing stock, and the tenants living on the estates. This is a plan produced in partnership by Wigan Council, Wigan and Leigh Housing and tenants. Tenants have been involved in setting the priorities in a variety of ways through their forums, assemblies and their role on the WALH Board and Committees.

The Strategic Context and Operating Environment

This chapter looks at the local, regional and national environment within which the Business Plan will be delivered.

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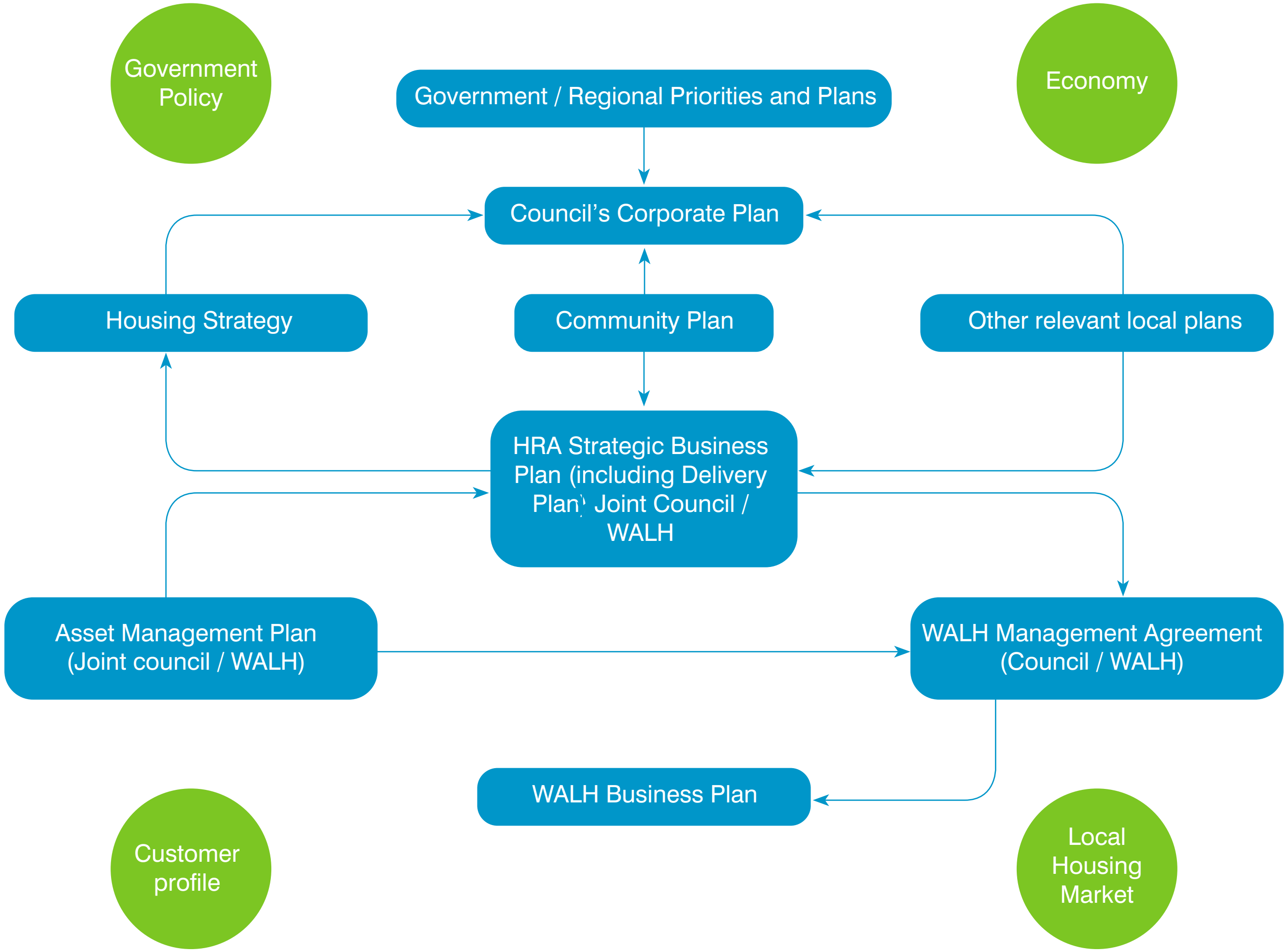
Although this plan concentrates on the Council's Vision for its housing stock, estates and services to tenants, it has to be recognised that many other influences and services will affect the quality of life for tenants.

The plan is set in the broader context locally, regionally and nationally. The adjacent diagram illustrates these important inter–relationships and the context within which we operate. It also needs to be recognised that the current operating environment is changing rapidly and the plan needs to be focussed but flexible enough to accommodate the changing environment.



Local Context

Wigan is a large metropolitan borough within Greater Manchester with a population of around 317,800.

Historically built on traditional industries such as coal mining, the economy is diversifying into new areas including food technology and service industries. Geographically it is a large borough with a mixture of central urban townships and significant areas of open green space and smaller semi rural towns.

Research in the early 2000s revealed long standing deprivation affecting the Council's housing estates. In addition, the world economic downturn and Government austerity measures are likely to impact detrimentally on the most deprived communities for at least the next 3 to 5 years. Unemployment rates on Council estates are above the national and borough average at 8% with some estates as high as 35%.

A 5% POPULATION GROWTH IS ESTIMATED IN THE BOROUGH OVER THE NEXT 20 YEARS AND AN AGEING POPULATION WILL BE A PARTICULAR CHALLENGE FOR HOUSING, SOCIAL CARE AND HEALTH PROVIDERS.

Public health is also an issue with a lower life expectancy than the national average and higher than average levels of those claiming incapacity benefit.

The Council's current priorities are:

Confident Place
to create an attractive, accessible and lively borough, with a prosperous economy as the location of choice for investment.

Confident People
improving life opportunities and independence, making sure people feel safe and supported in their communities; helping people to stay healthy longer.

Confident Council
refocusing the Council's reduced resources towards early intervention and prevention to achieve more for less.

The Local Housing Market

WIGAN'S HOUSING STOCK OF ALMOST 136,900 IS 80% PRIVATELY OWNED AND 20% PUBLIC SECTOR OF WHICH THE LOCAL AUTHORITY STOCK ACCOUNTS FOR 17%.

The 2008 Council Housing Needs Survey estimated the private rented sector at 5.7% of all tenures, however, recent indications from housing benefit applications is that it is in fact larger.

The key features of the housing market are lower than average house prices both nationally and regionally, a growing private rented sector and risk of market failure in older terraced housing in the central urban townships of the borough. The more rural outer areas of the borough have also in recent years experienced falling house prices, particularly in the higher price brackets.

Despite low house prices there is still an affordability issue for those on lower incomes. The ratio of lower quartile incomes to lower quartile house prices is 4.93. Affordability is further pressured with the need for large deposits. At a national level the Council of Mortgage Lenders reports the average loan to value ratio for first time buyers is 80%

The Council's Housing Strategy priorities are to increase the quantity and quality of affordable housing and to support vulnerable people to access and maintain accommodation. The economic down turn has put additional pressure on the local economy and the demand for affordable accommodation.

Despite the economic climate there have been a number of successes on the housing strategy priorities based on strong and flexible partnerships in both the private and public sectors.

In this context the Council's housing stock currently provides a lower rent, no deposit alternative for those without other means to resolve their housing situation. The current Council waiting list is around 3,500 and turnover is around 2,000 per year. Currently we have a strong demand for 1 and 2 bedroom dwellings, demand for 3 bedroom dwellings is finely balanced with supply. However, concerns exist on the demand for 3 bedroom stock notably from the Government's Welfare Benefit Reforms including the Under Occupation Penalty. Early research indicates that potentially over 1,000 households in 3 bedroom properties may have their benefit reduced because of under occupation. Although a choice based allocation system operates, allocation is still very much on housing need and on the whole to local residents.

The local housing market has seen a recent growth in the private rented sector. Estimates suggest a private rented sector of 13,000 properties which, if confirmed by the 2011 Census, would give a 120% increase since the previous census.

Currently Council rents are approximately 30-40% less than private sector rents, but with rent convergence in the social housing sector the private rented sector may prove more of a competitor to the Council stock in the future. This may be particularly so with predominantly three bedroom Council stock and demand and population projections indicating increasing demand from smaller households. The private rented sector can offer choice and is driven by market forces rather than need/allocation policies. The recession and austerity measures have caused a reduction in the supply of new homes so in overall terms the supply/demand imbalance is likely to accentuate.

The Council's Housing Stock and Estates

Wigan and Leigh Housing was established as an Arms Length Management Organisation (ALMO) of the Council in 2002 in order to secure the then Government's funding for decent homes. Since then £270million has been invested into transforming the housing stock and estates. The ALMO has provided opportunities for tenants to become more involved in their housing services and over the last ten years has become a low cost high performing organisation.

OVERALL TENANT SATISFACTION WITH HOUSING SERVICES IS AMONGST THE HIGHEST IN THE COUNTRY AT 87%.

The Council's housing stock of 22,600 properties is in good condition with 99% meeting the Government's decency standard. The energy performance of the stock as measured by the SAP rating has also improved from 61 in 2008/9 to 69 in 2011/12, our stock now has an Energy Performance rating of "C". The appearance of estates is good and there is demand for properties with almost 3,500 on the waiting list for a Council home.

The main challenges for the Council moving forward are the maintenance of decency, obtaining best value from the stock, maximising resources, addressing a stock and needs imbalance and recognising the implications presented by the levels of deprivation, worklessness and benefit dependency on estates. Of Wigan's 200 'Super Output Areas' 10 are in the 3% most deprived areas in England and these contain a significantly high proportion of Council stock. Health and life expectancy are also issues with a significant difference in life expectancy on some Council estates compared to other parts of the borough.

National and Regional Context

Government Policy

The current government's policy agenda is fast moving. The Government's housing strategy in relation to affordable and social homes is to build more affordable homes, diversify tenure, introduce diversity in the providers of social housing, reduce benefit dependency and worklessness on social housing estates and look at strategies to support an ageing population. This is set against a background of reducing the public sector deficit and encouraging local involvement and control of public services. Current and proposed legislation includes:

- HRA Self Financing Reform.
- Re–invigoration of the Right to Buy.
- Reduction of public sector deficit reducing resources in both public and voluntary sector services.
- The drive for local control and empowerment in communities through the Localism Act with the aim of reducing central and local bureaucracy.
- 'Open Public Services' proposals to introduce more competition and diversity in public services including social housing services.
- Welfare benefit reform to reduce dependency on benefits, provide incentives for people to work and reduce under occupation of rented accommodation. This will be a major challenge to both tenant income and the income of landlords.
- Energy efficiency/carbon reduction targets.
- Reduced external regulation for social landlords and emphasis on co-regulation with tenants and Boards.

The policy agenda and economic situation has created a complex and rapidly changing environment. This presents significant risks for social housing as well as opportunities. Flexibility to respond to this rapidly changing and challenging environment is essential.

The Economy and The National Housing Market

Changes in the economy affect social housing in a number of ways. In times of economic downturn there is increased pressure on social housing, in particular from those threatened with homelessness.

The ability of tenants to meet their financial obligations in times of downturn also impacts on income collection, a key risk to the viability of the HRA particularly where this is linked with welfare benefit changes. These two issues will pose significant risks to the viability of the HRA over the next five years.

In addition to relieving pressure on waiting lists, housing construction is also a major stimulus to growth and jobs. The credit crunch and recession has resulted in a subdued housing market for a number of years. Reductions in Government spending has also impacted on the building of new social housing. The Government is attempting to stimulate housing growth and investment through a variety of programmes. One of the Council's main aims is to stimulate the local economy and all opportunities are assessed for their use locally and proactively sought if considered beneficial.

Regional Priorities

Within the 10 Greater Manchester authorities there are significant variations in housing supply and demand and in economic indicators. Overall population growth is predicted with an increase in smaller households. Authorities are represented by the Greater Manchester Authorities (AGMA) body. In 2011 The Greater Manchester Combined Authority (GMCA) was established to strengthen and promote development and influence of the region. AGMA and its partners are becoming increasingly aware that Wigan Council and its ALMO are of strategic importance being the largest social housing portfolio and landlord in the GM area. There will be continued dialogue with the two bodies on collaborative approaches to strategic housing and planning linked to both economic regeneration and the transition to a low carbon city region. The Council and its ALMO will need to ensure that, while supporting the broader agendas, the individual needs of the borough are recognised.

Other Influences

Changing customer expectations, technological advances and the increase in the internet and social media are, and will continue to be, important influences.

These advances not only offer opportunities for business efficiencies but affect the way companies communicate with their customers and how our customers access other crucial services such as the proposed Universal Credit under welfare reform and search for employment opportunities. The Government's ambition is to achieve a 60% reduction in non–internet users by 2014, and an expectation that 70% of all benefits activity will be conducted online by 2017. We have established that in Wigan 70% of Council tenants do not consider themselves to have access to the internet and therefore potentially benefits and jobs. Finding ways to help tenants access the internet and the benefits that flow from this will be one of the many future challenges.

Predicting the Future Environment

It is difficult to predict 30 years in advance but there are a number of issues we can assume with some confidence. These are:

- There will be a change in the types of housing tenure and models
- There will be a change in the number and type of housing providers
- Funding streams are likely to be more complex
- Affordability and supply side shortages will be key issues
- Demographically there will be a large increase in older people
- The switch to low carbon and the affordability of fuel will also be key issues
- There will be different institutions and decision makers
- Service delivery will be very different

While the environment will be subject to significant change the principles of what customers want from housing are likely to be fairly consistent. The vision for the Council's housing stock recognises these principles while considering the complex environment.

The Vision
Better Homes – Brighter Futures.

This chapter sets out what the Council intends to achieve for its housing stock, the quality of life on its estates and the customer experience of the housing services delivered.

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The Vision

30 years is a long time span to predict and set a firm vision. However, it is reasonable to conclude that many expectations today are likely to be similar in 30 years time and will revolve around the following priorities:

- Good quality, decent, energy efficient and affordable homes of the right type to meet housing needs
- Good physical environment on estates with low levels of anti social behaviour
- Confident communities where residents have opportunities for education, employment and involvement
- Good quality and accessible housing services providing value for money and high levels of satisfaction.

A VISION HAS BEEN AGREED WITH TENANTS AND PARTNERS THAT EMBRACES THESE PRIORITIES. THE VISION WILL INEVITABLY BE AMENDED AND REFINED OVER 30 YEARS BUT THE FUNDAMENTAL PRIORITIES ARE LIKELY TO STILL BE APPLICABLE.

The vision 'Better Homes - Brighter Futures' was agreed with tenants, Board Members and the shareholder in 2005 and the principles are still equally applicable today but the emphasis is changing. Significant progress has been made on achieving 'Better Homes' through the Decent Homes programme. The emphasis now is on maintaining the quality and supply of decent homes and keeping homes affordable to customers. Affordability not only relates to accommodation costs but the rising cost of fuel bills. Various predictions on fuel costs exist but a rise of 15% is being identified for winter 2012/13 and a 60% rise by 2020 from the Department of Energy and Climate Change is now considered to be a low range estimate.

Helping residents to achieve 'Brighter Futures' is still and will continue to be a significant issue. Levels of unemployment, ill health and financial deprivation are high on the Council's estates. It is our deprived communities that are likely to suffer the most from the depressed economy, public sector cuts and welfare benefit reform. Sadly the prospects for any recovery could be slow. It will be important to enhance the confidence, vibrancy, and strong partnerships on estates to meet these challenges. The vision has recently been reviewed to reflect the change of emphasis and is based on three supporting objectives:

Better Homes and Neighbourhoods – maintaining and increasing the supply of decent and affordable homes in neighbourhoods where people want to live.

Brighter Futures – supporting people and communities to achieve brighter futures.

Better Housing Services – providing value for money services customers want to the standards they expect.

Supporting the Council's Priorities

The vision supports the Council's housing strategy of Quality, Quantity and People and the corporate ambitions of achieving Confident Places, Confident People and a Confident Council. The table on the next page sets out the Vision in this context, the challenges faced and how they will be addressed with five year targets.

The following chapters set out the challenges and strategies in more detail, discuss the potential resources available and the processes that will be adopted to ensure delivery.

The Vision

Council's Corporate Vision	Confident Place	Confident People	Confident Council
Vision for the Housing Stock, Estates and Services	**Better Homes**		**Brighter Futures**
What	**Better Homes and Neighbourhoods.** • Affordable and accessible homes • Decent homes • Energy efficient homes • Homes of a variety of size and tenure to meet needs • Homes in a good environment • Nuisance free and safe estates	**Brighter Futures** • Access to good financial advice in the light of welfare benefit reform (key priority) • Sense of community and resident empowerment on estates • Opportunities for education, employment and social enterprise • Support and promotion of independence for older and vulnerable residents	**Better Housing Services** • Maintaining rental income and a financially viable housing account (key priority) • High customer satisfaction • Value for money from services • Flexible and responsive services • Added value initiatives for the benefit of tenants and the borough
How	• A resourced plan to maintain and improve homes • A strategy to deliver energy efficient homes and reduce tenant fuel bills • New build and regeneration plans for estates • Consideration of purchase/ lease of private sector homes • High quality responsive repairs, estate management and anti-social behaviour services (ASB) • Removal of stock that is not cost effective • Monitoring and review of cleaning and grounds maintenance services	• Working with tenants to build strong partnerships and opportunities for involvement and social enterprise • Developing a strong financial advice service with partners • Maximising opportunities for early support, education and employment initiatives • Developing housing and support options for older and vulnerable people • Partnership support for troubled families	• Joint planning and scrutiny of services and standards with customers • Good knowledge of customer needs • Effective use of information technology and communications • Delivery of a value for money strategy • Review of best way to deliver housing services • Being flexible, bold and responding to changing environment • Developing commercial skills
When 5 year targets and programmes (2012 - 2017)	• 99% of homes meet the decency standard • Energy efficiency rating improved by 5% • 82% of tenants satisfied with their neighbourhood • 80% of tenants satisfied with ASB service • 98% satisfied with the repairs services • Average of 50 new homes per year	• 75% of tenants satisfied with opportunities to be involved • 70% of tenants have access to the internet • Increase in apprenticeships/ work placements • 70% of homeless cases prevented where approached for assistance • 99% of supported vulnerable service users maintaining independence	• 92% overall satisfaction with housing services • 75% of services in the low cost/high performance benchmarking quadrant • 2 services per annum reviewed by the Tenant Scrutiny Committee • Contract agreed with the chosen provider of housing services
Ensuring Delivery	Strong and effective partnerships, strategic research and planning, effective and enabling governance, social responsibility, risk management, equality and diversity, investment in human resources, value for money and income maximisation. Values – Welcoming, Approachable, Listening, Helpful		

Providing Better Homes and Neighbourhoods.

This chapter explains the Council's plans to maintain decent and affordable homes in quality neighbourhoods and to contribute to the supply of affordable housing.

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The Challenges

Although the Council stock is currently in good condition, with 99% meeting the Government's decency standard, looking forward 30 years there will be significant issues to address.

Maintaining Decency

A stock condition survey was carried out in 2008. Based on this information, and updated for works since completed, it is estimated that £1,356 million capital and revenue expenditure is required over a 30 year period. This will maintain the stock with an element of betterment from current standards, but does not take account of any additional major improvements to homes, additional energy saving measures or new build.

Energy Efficiency and the Low Carbon Agenda

As has happened in the motor industry, increasingly our tenants are seeing affordable homes as being not only about the cost in terms of the rent they pay but also running costs and in particular energy costs.

The new HRA enables us, for the first time, to develop a 30 year energy strategy for the Council's 22,600 dwelling stock. Energy Performance Certificates for a quarter of the stock reveal that 49% of properties are in EPC B and C or above. The target to which Greater Manchester authorities aspire is for 90% of properties to be in EPC band B by 2022 with the remaining 10% in EPC band C. Using very broad assumptions it is estimated that it will cost around £100 million to bring all the Council dwellings in Wigan up to EPC band B. We also need to ensure no dwellings are Band F by 2017, the date set by Government for prohibiting the sale or rent of any dwelling which falls below this rating. Also access to the Government low carbon incentives such as 'Feed in Tariff' and 'Renewable Heat Incentive' requires dwellings to be in EPC band C or above.

Demand Versus Supply

It is difficult to predict demand for housing over a 30 year period, but there are issues we can be clear about based on current population projections, the Council's latest housing needs survey and Council waiting list demand and supply information.

The population of the borough is projected to grow from 307,300 in 2009 to 321,400 by 2029, an increase of 4.6%. Latest figures forecast an annual average growth of 1,036 households between 2006 and 2030 with one person households accounting for two thirds of the increase.

By 2029 the pensioner population is predicted to increase by 46% with over 65s increasing by 23,000 and over 80s by 11,000. Older people increasingly also want to remain in their own homes and the Council needs to respond to this and find ways to move to a prevention focussed model and reduce its residential care costs which are predicted to rise significantly under the current model.

Waiting list demand over the last 20 years has varied between 3,500 to 6,000 applications and is currently around 3,500. Using historical data to track and predict demand accurately is difficult because of changes in allocation policy and clean up exercises on the list over the period.

Current demand is at the lower end but there has been significant focus on review of the list. The rise in the private rented sector reflected in a growth in housing benefit applications may also indicate a latent demand that is being met outside the Council's housing allocation policy. Homeless acceptances, despite the economy, are at some of the lowest levels seen mainly because of a review of processes and emphasis on prevention. However, pressure on homelessness is showing early signs of increasing and is expected to increase in the next few years with the economic situation and austerity measures..

Within these overall figures the table below shows the current demand and supply stock imbalance which is likely to increase with welfare benefit reform and population projections for smaller household formation.

	Supply	Demand	Ratio (properties to applicant)	Termination Figures (2011/12)
Bedsit/1 bed	5,591	2,089	3	852
2 bed	6,675	1,077	6	644
3 bed	10,110	353	29	553
4 bed	271	54	5	11
5 bed	2	7	0.3	0
6 bed	5	1	5	1

The needs of an ageing population, 37% of the tenant base is over 60 years of age, also need to be recognised in terms of size and accessibility of accommodation as well as the potential for use of technology and linking accommodation to care and support options.

Regeneration, New Build and the Right to Buy.

Wigan's Local Development Framework indicates an annual housing growth of 1,000 units to 2026. In the current economic climate achieving housing growth of 1,000 units annually will be a challenge. The Council's housing needs model updated in 2010 estimates an annual shortfall of 277 affordable housing units.

Since 1981 the Council stock has been in decline from Right to Buy and demolition of obsolete dwellings reducing from 37,396 to 22,654.

The Council with its partners is now considering all means to increase affordable housing supply. Between 2006-08 no new social rented units were delivered. However, from 2008/9 215 new rented houses have been built of which 105 are Council or WALH properties. Other grant funding has been attracted into the borough for affordable home ownership through HomeBuy and FirstBuy but there is still a significant gap.

Although the Council stock is currently in good condition there are pockets of unpopular and obsolete housing mainly in sheltered schemes and blocks of flats. It is estimated there are currently around 600 lesser demand properties. There are also properties that, looking forward 30 years considering their age and structure, will be asset negative. This means that the cost of maintenance and repair will exceed the anticipated rental income and the properties will have a negative overall impact on the HRA. Consideration needs to be given to removal and replacement of this stock with properties built to modern standards which in the long term will have a positive effect on the HRA. More work, as part of asset management planning, is needed to understand the size of this issue but a stock of 419 non traditional energy inefficient houses will be the subject of early option appraisal.

The Right to Buy has two impacts. There are a number of ex Right to Buys that because of the depressed housing market are standing empty on Council estates.

It is estimated that around 390 ex Right to Buy properties are standing empty of which 40 are of a condition to blight the surrounding area. These are a loss to those in housing need and also are a blight for local communities. Partnership initiatives are required to bring these back into use. The Government's recent proposals to stimulate the Right to Buy are also likely to lead to additional loss of rented stock that will impact on the HRA both in terms of rental income and ability to provide for housing need. The Government's proposals are being carefully considered for the potential impact on the HRA and ways to provide one for one replacement of future Right to Buy properties.

NEW BUILD, DEMOLITION AND THE IMPACT OF THE RIGHT TO BUY SHOULD NOT BE SEEN IN ISOLATION BUT AS PART OF BROADER REGENERATION PLANS FOR ESTATES LINKED TO THE QUALITY OF LIFE ON ESTATES.

Better Neighbourhoods and the Quality of Life on Estates.

Better Neighbourhoods is not only about the appearance of estates but the general quality of life tenants experience living in the environment.

The quality of life on Council estates is monitored on an annual basis through a broad basket of indicators including issues such as number of empty homes, termination rates, length of tenancies, anti-social behaviour complaints, number on transfer list and satisfaction with estates.

The Quality of Life Indicator measures the relative gap between the high and low demand estates. The indicator has reduced from 6.1 in 2000 to 1.9 indicating that the gap between the unpopular and popular estates has significantly reduced but there is still an unacceptable gap. Regeneration and investment plans will need to recognise the difficult balance between maintaining successful estates, addressing the issues in less successful estates and investing for best value.

There will also be additional pressure on estates as public sector budget reductions mean the Council and partner services need to be scaled back and there are additional pressures flowing from welfare benefit reform. Close partnerships with tenants and other stakeholders are critical to considering alternative ways of maintaining and improving the quality of life.

The look of estates has improved significantly with investment in environmental improvements. The maintenance of this position will also be a particular challenge.

The Response

The 30 year long term priority is to ensure a viable HRA for the maintenance and management of a stock of decent, affordable and energy efficient homes on quality estates to help meet the housing needs of the borough.

Initial self financing modelling indicates that, subject to risks, a financially viable HRA is achievable with additional resources available to add value such as new build, energy efficiency and environmental works.

In order to get best value from the stock and meet the challenges outlined a new approach to asset management planning is required. The stock needs to be considered not solely in terms of its maintenance and repair requirements, but the best value it can produce as an asset within the HRA and the contribution it can make to the quality of life on an estate. This means planning not just for maintenance, repair and improvement but also for demolition, disposal or alternative use and equally applies to land and commercial premises held within the HRA. Such investment judgements need to be set within broader regeneration plans developed for estates, the need to create a stock that fits demand patterns and linked to the quality of life indices.

Whilst we hold a wealth of information on Council properties and estates, additional research is needed on asset value and energy efficiency works. The first delivery priority under Better Homes and Neighbourhoods is to carry out additional research to ensure a well researched and resourced 30 year asset management plan including new build, regeneration and energy strategies.

An Energy Strategy will be developed to improve the energy efficiency of the stock. This will be based on clear priorities, available options for improving energy efficiency, the investment shortfall for achieving EPC band B and financial opportunities available.
Such a strategy has the potential for:

- creating more affordable homes with lower energy bills for tenants
- contributing to reducing both fuel poverty and excess winter deaths
- switching from a fossil fuel dependency to a low carbon stock helping tackle climate change
- stimulating the economy and creating apprenticeships and jobs
- providing additional revenue to help fund future energy saving initiatives

While further research and planning is required, initial five year delivery priorities have been agreed for both Better Homes and Better Neighbourhoods. These priorities are:

Better Homes – Five Year Delivery Priorities

- Research and production of a 30 year resourced asset management plan with a projected total five year spend of around £220 million on the stock.
- Production of an energy strategy integrated into the asset management plan and £13 million of energy efficiency works and optimising government incentives.
- Pilot, procurement and delivery of a £30 million bathroom replacement programme
- Option appraisal and regeneration of non traditional properties
- £5 million investment in the sheltered housing stock for older people on access and refurbishment works
- A review of options for new build to deliver an estimated 50 new build Council properties per year of a size, type and location to meet changing housing needs and an ageing population.
- Identification of a land bank to support new build
- Regeneration strategy including the demolition/ disposal of an estimated 20 – 30 per year outdated, unpopular, obsolete stock.
- Establishing a partnership initiative to reduce the number of empty ex right to buys on estates.
- £11.5 million adaptations programme linked to rehousing strategies to achieve best value from the stock and improve access for older tenants and those with disabilities

Better Neighbourhoods – Five Year Delivery Priorities

- Production of individual estate profiles linked to broader regeneration plans based on quality of life indices and investment/ regeneration priorities
- Joint Council and WALH review of cross tenure anti-social behaviour services on estates
- Joint Council/WALH review of environmental service delivery on estates
- Joint Council/WALH review of commercial premises on estates
- £2.5 million of environmental improvement works including the Better Neighbourhoods Fund directed by tenants.

Brighter Futures

This chapter explains how we will work with partners to help tenants and other customers achieve brighter futures.

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The Challenges

Analysis of the profile of our tenants tells us that :

- There is an ageing tenant base with 37% of tenants age 60 plus and 14% age 75 plus. 30% of tenants are one person pensioner households. A lesser 8% of applicants are age 75 plus.
- The 25 to 59 age group are the largest tenant group. The 16–24 age group are under represented as tenants at 6% but make up 16% of applicants. 50% of all tenancies are single person households
- Around 8% of tenants are unemployed (35% on some estates) compared to 4.5% in the borough as a whole.
- Over 65% are in receipt of benefits .
- Life expectancy is 2 years lower than the national average and 60% class themselves as having an illness, disability or infirmity.
- Access to the internet is low at around 30%.

The profile presents serious challenges in promoting' brighter futures'. The challenge will be significantly increased with the Government's reform of welfare benefits in particular the reduction in benefit for under occupancy and access to universal credit by electronic means.

ALTHOUGH DEPRIVATION LEVELS ARE HIGH ON ESTATES THERE IS AN ENERGY AND ENTHUSIASM AMONG MANY TENANTS TO WORK WITH PARTNERS TO IMPROVE THE LIFE CHANCES OF THEIR COMMUNITIES PARTICULARLY FOR YOUNG PEOPLE.

The challenge will be to work with tenants and partners to build an infrastructure and opportunities on estates that promote independence, encourage local initiatives and improve access to education and employment opportunities.

The Response

The 30 year vision is neutral on tenure but the focus is on creating confident communities on the estates that have:

- A sense of community and empowerment.
- Access to opportunities for education, employment and social enterprise
- Access to good advice to improve tenants' financial capability
- Support for the promotion of independence for older and vulnerable residents

It is recognised that these objectives cannot be delivered immediately. Five year programmes and targets have been set for 2012 to 2017 and these are:

Five Year Brighter Futures Targets and Programmes

- Building strong partnerships to promote opportunities for tenants to be involved and build social enterprise. The 2017 target is for 75% of tenants to be satisfied with opportunities to be involved.
- To break the cycle of benefit dependency and maximise opportunities with partners for early intervention, education and employment initiatives. An increase in apprenticeships and work placements to be made available.
- Developing an accessible and quality financial advice service with partners and that 70% of tenants have access to the internet .
- Development of prevention and housing and support models for older people and 99% of supported vulnerable service users maintaining independence.
- Providing more effective and value for money support and interventions for troubled families.
- The challenges are significant. In a rapidly changing environment with continuing pressure on budgets, innovative and flexible partnerships with shared objectives will be key to delivering 'Brighter Futures'.

Better Housing Services

This chapter explains how we will work with partners to help tenants and other customers achieve brighter futures.

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The Challenges

Changing Needs and Expectations

Changing customer needs has already been discussed in terms of an ageing population and changing tenant base with increasing demand from smaller households. The Government are also keen to diversify the tenure on social housing estates with the Right to Buy, flexible tenures and the introduction of new providers.

Expectations are also changing in the way tenants and customers wish to access services with a move for standard transactions from face to face contacts to telephone, internet and social media.

The journey to respond more flexibly to these changes has already begun and needs to continue in order to meet customer needs, achieve efficiencies and exploit the potential use of technology.

Customer Involvement and Co–regulation

The Localism Bill emphasises the role of local communities in planning, monitoring and even delivering local services. The Government has also significantly scaled back the formal regulation of housing. Although the Homes and Communities Agency will have a role in the future regulation of social housing providers, their interest will mainly be in governance, economic viability and value for money. The emphasis in service delivery is on co-regulation of services with tenants agreeing a local offer and being involved in the scrutiny of services. At Wigan, governance structures are well developed to involve tenants in services but involvement structures on estates are built on a traditional model and need review to respond to a changing agenda.

Value for Money

In the future, however needs and services change and develop, value for money is and will continue to be a key issue. This means providing services to meet needs as efficiently and effectively as possible. When benchmarked against other housing providers WALH is a low cost high performing organisation as indicated in the adjacent diagram. Whilst responsive repairs and voids costs have been reduced in recent years, further value for money reviews will be undertaken.

Having carried out a review of future delivery options, indications are that the Council is happy to continue with the ALMO as a low cost high performance provider of housing services. The Council with the ALMO is now considering ways the ALMO could add further benefit in the borough. The world is, however, changing rapidly and it is clear through the 'Open Public Services' agenda that the Government wants to diversify the social housing sector. A consultation paper is promised later in 2012 on large scale voluntary transfer. While moving forward with the ALMO the Council will need to keep the changing agenda under review.

1. Responsive repairs & void works
2. Rent arrears & collection
3. Anti-social behaviour
4. Major works & cyclical maintenance
5. Lettings
6. Tenancy management
7. Resident involvement
8. Estate services

The Response

30 Year Plan, Five Year Priorities

The long term vision for Better Housing Services, whatever the changes in need and delivery mechanisms are, is to ensure:

- The most financially viable housing business model
- High customer satisfaction by joint planning and scrutiny of services with customers
- Value for money through an agreed value for money strategy and priorities
- Flexible and responsive services by understanding customer needs, responding flexibly to changes and making best use of developments in technology
- Understanding the role of social housing in the borough's challenges and priorities and achieving added value

Five Year Better Housing Services Targets and Programmes

The targets and programmes for the next five years include:

- Review of customer involvement mechanisms and achievement of 92% customer satisfaction with overall housing services
- Building on the role of the Tenants' committee and Tenant Scrutiny Committee with 2 services reviewed per annum.
- Delivering and developing the agreed value for money strategy with 75% of housing services in the low cost high performing benchmarking quadrant when compared with peers.

- Delivering the new ways of working programme to increase efficiency, respond to changing customer needs and maximise the potential of technology.
- Facilitate the potential for the ALMO to deliver added value for the borough while keeping under review the changing agenda and other potential delivery models. Initial priorities are review of the ALMO contract to maximise opportunities, contributing to new build and regeneration in the borough (in particular linked to the older persons' agenda) and income maximisation and advice in the face of welfare benefit reform.

Resources

This chapter discusses the potential resources to deliver the HRA Strategic Business Plan.

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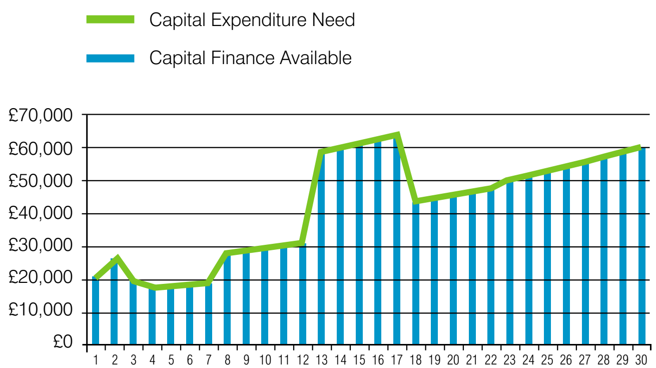
30 Year Profile

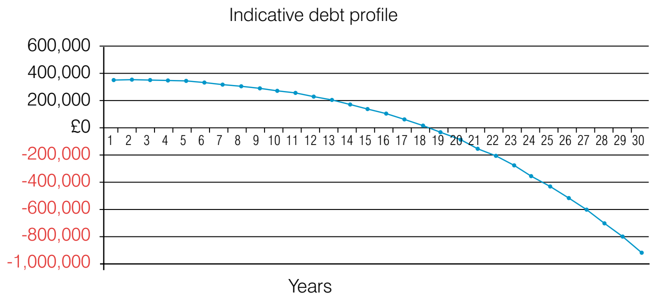
The headline settlement from the Government for Wigan amounts to £356 million. This is the amount of debt the Government believes can be supported by the HRA in exchange for leaving the subsidy system and being able to keep all its future rents. This figure is based on the Government's assumed income and costs for Wigan and is around £15,650 debt per property.

Self financing will involve a one off debt payment to the Government of £99 million and when added to existing actual debt, rather than assumed debt, of £356 million this gives a total actual debt at the start of self financing of £318 million. Taking this figure from the total debt cap identifies around £38 million potential headroom to borrow for further improvements over and above the assumed needs to maintain and manage the properties. The business model also indicates potential revenue headroom in the medium term before substantial costs need to be met to refresh Decent Homes work.

Is this sufficient to meet the identified needs and plans over the 30 year period? Taking the updated capital expenditure from the last 2008 stock condition survey and the potential debt profile, the capital maintenance needs are able to be met in all years with no major draw down of the borrowing headroom as illustrated below.



The CLG Self Financing model also demonstrated that it would be possible if we choose to pay off the debt before the start of year 20.



In any long term modelling there are significant risks as decisions and events deviate from the basic assumptions.

Underlying Assumptions Within the Financial Plan

This position is, however, based on a number of underlying assumptions and some carry significant risks.

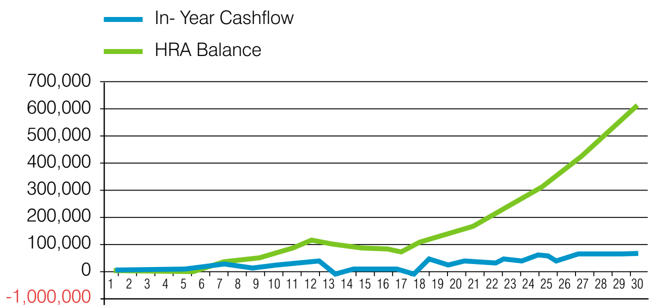
- Rents converge (with formula rents of similar housing providers) in 2015/16 with rises of RPI plus 0.5% thereafter. This is how the Government has calculated the self financing offer and therefore is critical for this plan to work. Welfare Benefit reform poses a significant threat to the future income stream.
- Although there may be some smoothing out of peaks, the allocation of monies for capital expenditure are generally in line with the needs identified.
- The HRA Self Financing Model was based on general inflation of 3.5% per annum for 30 years. Upward variations from this will mean higher rent income but also increased management costs. Downward variations will result in the opposite effect. If total costs – maintenance of assets and service costs, cannot be contained at or below inflation, then there will be a negative impact on either services or asset standards or both.
- The model saw an uplift of the allowances for Management by 5%, Maintenance by 6% and Major Repairs by 5%. This was to recognise that there had been under funding in the past.
- The long term cost of borrowing was set at 6.5% and whilst £99 million of Wigan's £320 million has been locked in at a rate of around 3.5% for 50 years, the remaining borrowing currently is costing 6.8%.
- The Model did allow for some Right to Buy sales based on the experience of the last few years' sales, but it took no account of any increases that the changes to the discounts might make. Although the first call on a sale receipt will be to pay off the debt associated with a sold property, the rental income supports more than debt repayment and so the revenue headroom will be impacted if there is a greater number of sales.

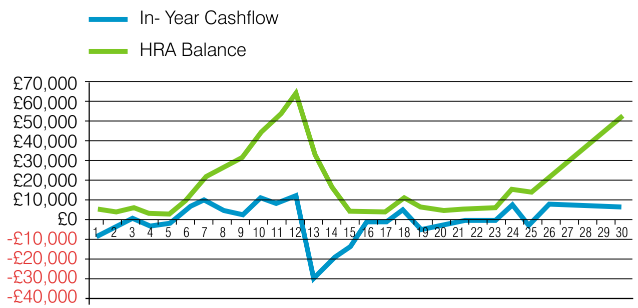
Sensitivity Analysis

The above demonstrates that the financial plan with its assumptions is viable. However, there are key risk areas in relation to income, void rates, interest rates, inflation and right to buy levels. The potential impact on the debt profile of changes in the assumptions in these areas is shown below.

Income

Self Financing is predicated on rents increasing at RPI +0.5%. If a decision was taken to increase rents by 1% less each year than this formula, then, over the 30 year planning horizon, around 20% of rent income would be lost (£825 million) meaning that debt could not be paid off or reused to finance new build. Also, the HRA would be operating on extremely tight margins and would be susceptible to the impact of the other risks highlighted in this section if there were minor changes against the assumptions. The figures below show projections for the in year HRA surplus – blue line and the accumulated HRA surplus –green line with on the left hand side the position based on following rent guideline and on the right hand side the serious consequences of not, and note that the graphs are on different scales.





Treasury Management

Around a third of the debt is fixed for 50 years at an average rate of 3.5%. The remainder is costing around 6.8% per annum to service (range 3.4% to 11.5%). This results in around £348 million of interest paid over the 30 year business plan.

The Treasury Management Policy will be dictated by decisions around investment in assets. One of the key decisions will be around how much reinvestment is made.

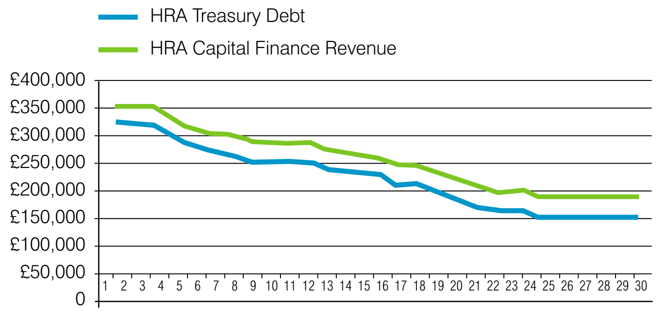
Debt Repayment and Reinvestment Strategy

The overall level of borrowing in respect of capital expenditure in the HRA is limited by the Debt Cap. Wigan's current HRA borrowing is £36 million below this cap.

As set out above the initial government model of the 30 year business plan for Wigan demonstrated that there was sufficient money generated in the account for all loans to be paid off by the end of year 19.

There is no requirement in the HRA to make an annual repayment of principal, unlike in the General Fund's MRP (Minimum Revenue Payment). This provides the opportunity to refinance debt rather than pay it off. As indicated, there is a revenue saving if the refinancing is at a rate lower than the current rate.

There is also an opportunity to use the refinanced borrowing to fund further capital work. The projections in the model based on Wigan's figures suggests that even if we repay all loans that are due in 30 year period the debt will reduce from £320 million down to £150 million. This could be a source for funding new housing.



Maximisation of Income, Value for Money and Efficiencies

The main danger of not increasing rents in line with the assumptions has been set out above.

Another of the major dangers to the plan will be the impact of the Welfare Benefit Reforms. This will see some £51 million of the £81 million we currently collect moving from direct payment from the Housing Benefit system to the pockets of around 15,000 tenants.

To try to make some allowance for the increased difficulty in collecting this sum, the bad debt allowance has already been increased from just over 0.5% of the total rent due to 2.5% of the total rent due. Further increases would impact on the overall well being of the HRA. To try to prevent this, strategies are being formulated to assist tenants to maximise their financial position and thus make payment of rent easier.

It is essential that the tenants continue to benefit from the council and WALH maximising the Value for Money achieved. This not only applies to the work on the properties where certainty of funding (removal of the subsidy system) enables long term contracts to maximise efficiency but also to all other costs that hit the HRA. These range from the WALH management fee to the recharges made by the council to the account.

Ensuring Delivery

This chapter explains how we will ensure we deliver our plans and manage the associated risks.

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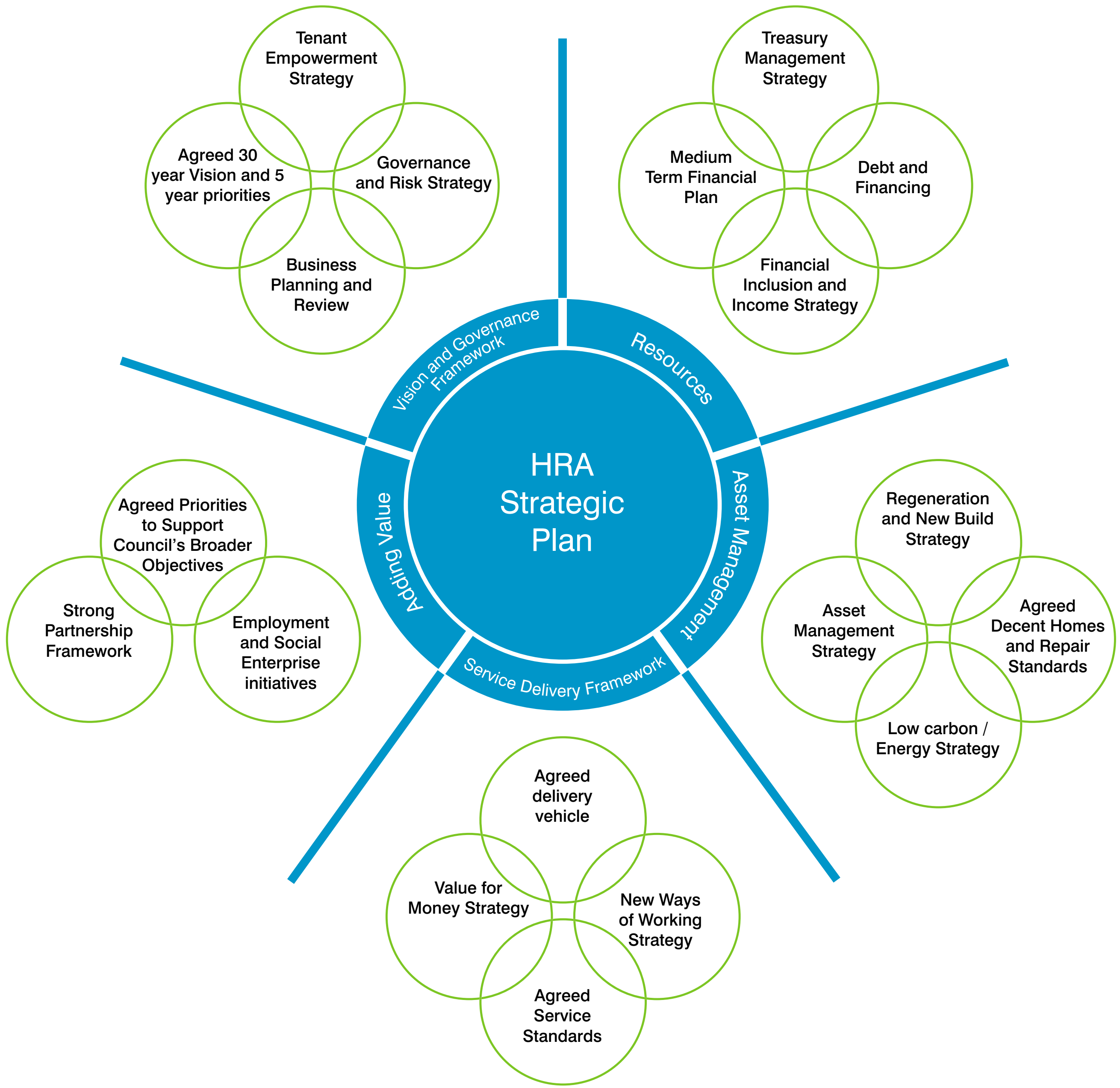
The HRA Strategic Business Plan sets out how we plan to achieve a viable social housing business to meet the needs of the borough over the next 30 years with the first five year priorities.

In order to deliver the plan, a number of supporting strategies and delivery mechanisms need to be in place. These are shown in the adjacent diagram and a SWOT analysis has been carried out to identify areas of strength and those that need improvement.



Vision and Governance Framework

A clear vision and five year priorities have been agreed that align with the Council's corporate objectives. An option appraisal has been carried out on the current delivery vehicle, the ALMO. As previously discussed the Council's initial view is to retain the low cost high performing ALMO but to investigate how the potential of the ALMO can be optimised for the benefit of the borough. The current governance arrangements are strong but will be reviewed to ensure they are appropriate for the challenges ahead.

While the Council wishes to retain the ALMO, the best value delivery option will be kept under review as Government thinking on Open Public Services and LSVT develops.

The bulk of the higher interest rate loans (£67million) fall due for repayment in the next 8 years. If a decision was made to refinance these at say an interest rate of 5%, this would save around £3million in interest payments a year. If they were not refinanced, then by year 7 the annual saving would be around £6.5million.

Risk Management

There is an agreed joint Council and WALH risk management process that is subject to quarterly review. The current major perceived risks are :

Rapidly changing economic and political environment.

The uncertain economy and changes in government policy can pose significant threats to the future viability of the HRA business model. Regular monitoring and evidence gathering, followed by dialog with the Government about the potential impact of any proposed reforms, are key features of risk management.

Welfare benefit reform and the potential major impact on rental income and levels of deprivation on estates.

In addition to the impact on individual tenants this poses the single biggest current threat to the £80 million HRA annual income. When the cumulative impact of all the reforms are recognised there is serious concern. Wigan has volunteered as an early Universal Credit pilot in order to prepare and advise on the impact of implementation. Detailed plans and additional resources are being used to prepare and to try to mitigate the negative impacts.

Levels of Right to Buy

Within the HRA settlement there have been assumed levels of Right to Buy. With the Government promotion of the Right to Buy any increase could have a detrimental impact on income and the ability to meet housing demand. The Government's proposals for one to one replacement of homes sold are being closely considered for their value in Wigan.

Open Public Services

The Government's proposals for the opening up of public services to greater competition and promised proposals on large scale voluntary transfer will also be closely monitored.

THESE AND OTHER RISKS WILL NEED TO BE KEPT UNDER CONSTANT REVIEW WITH AGREED MANAGEMENT STRATEGIES DEVELOPED.

Business and Performance Management

Strong business planning and performance management processes already exist as illustrated below. These processes will continue and will be amended as required to meet changing needs.

Project management is also a strength based on approved business cases and project plans.

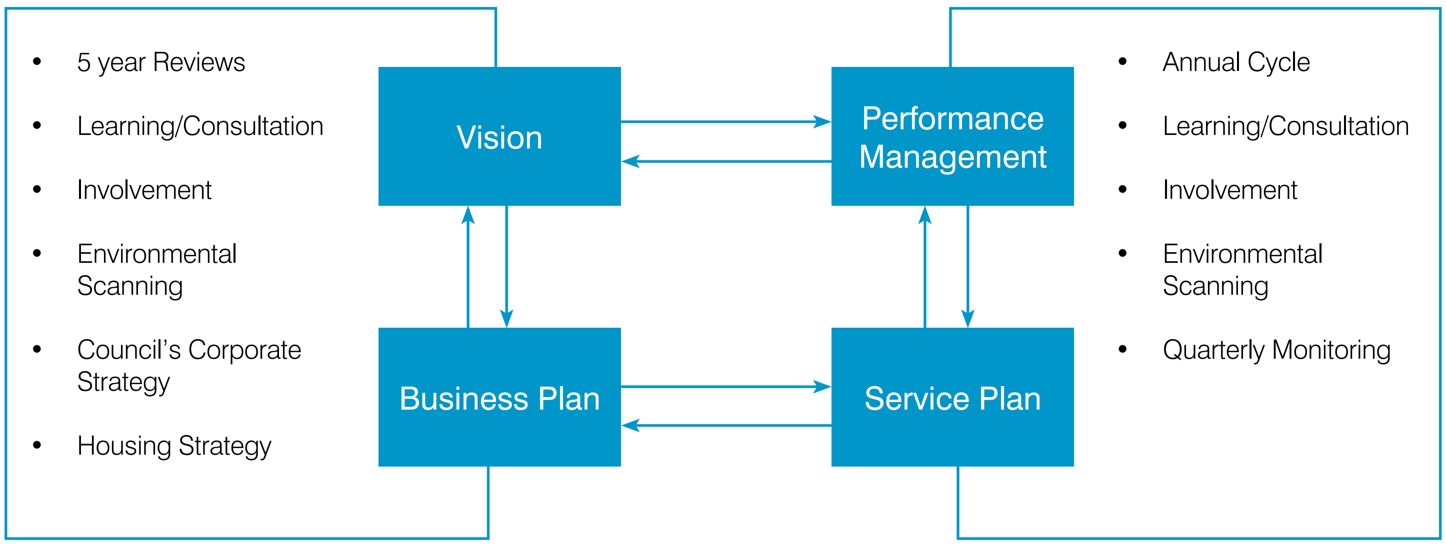
Service Delivery Framework

Delivery of housing services is an area of strength. The ALMO has proved itself to be a strong delivery vehicle for housing services and tenant satisfaction is high at 87%.

A range of local service standards have been agreed with tenants across all services and delivery of these is monitored through the Tenants' Committee with in depth review by the Tenants' Scrutiny Panel.

Value for money is a key priority for both the Council and the ALMO and a value for money strategy has been agreed. The ALMO has returned almost £4 million in efficiency savings from its management fee back to the HRA. The Council and the ALMO will continue to work in partnership to further develop the strategy to maximise efficiency and value for money savings. In 2012/13 the agreed services for review are the anti-social behaviour services and joint procurement of ICT services.

New Ways of Working is a key ALMO programme to improve flexible delivery of services to customers, maximise the use of technology and reduce the use of expensive accommodation. While a step change in ways of working is currently in progress, innovative and flexible ways to deliver services will be the subject of ongoing reviews.



Asset Management

This is an area that requires further research and development but where there are significant opportunities.

The stock is currently in good condition and delivery of programmes and value for money procurement are strengths. Initial estimates are that there will be sufficient resources to maintain the stock to decency standard over 30 years with headroom for additional priorities. This will however be subject to risks around income, rate of inflation, right to buy and changing Government policy.

New build expertise and a delivery reputation has been established but to date the numbers delivered have been small. An expanded but still modest new build programme is planned in the next five years and financing with potential expansion thereafter. Delivery models are under review linked to regeneration needs.

Self financing presents the opportunity and time period to be able to use assets in a different way. Not just to maintain what exists but to maximise the value of assets by improvement, demolition, disposal and replacement linked to an energy efficiency strategy and regeneration plans for estates. Knowledge and expertise needs to be strengthened to deliver a thirty year resourced asset management plan. Five year initial delivery priorities have been agreed and alongside delivery of the priorities consultancy support will be used to help deliver a thirty year asset management plan in five year stages based on the maximum value assets can achieve.

Adding Value

The HRA Strategic Plan is not only about the maintenance and management of the Council's housing stock and estates, although this is the first priority, but also about any added value that can be achieved for the borough.

Strong partnership relations exist not only between the Council and the ALMO but with other key strategic partners. This is crucial with the levels of deprivation and health issues on estates. The resources of many agencies are directed onto estates and will be severely challenged in the current economic and political environment.

The added value priorities agreed for the next five years are:

- The contribution the ALMO can make to new build and regeneration in the borough linked to the older persons housing and support agenda
- Financial inclusion in particular reducing the impact of welfare benefit reform
- Utilising partnerships and programmes to facilitate opportunities for education, training, employment and social enterprise on estates.

Resources

As discussed, the initial view is that adequate resources will be available subject to the risks discussed in chapter 7. Financial management is an area of strength in the Council and the initial medium term financial plan will be revised as asset management is developed.

Impact Assessment

The potential impact of the first five year delivery priorities has been assessed and in summary:

On customers a positive impact in terms of investment in the stock, energy efficiency works, investment in neighbourhoods and partnership working to improve the quality of life and life chances for residents. More challenging impacts will be the level of rent increase required for rent convergence, the impact of welfare benefit reform particularly on already deprived communities and the limited potential in the short term to address the demand/stock imbalance.

In relation to the impact on particular social groups any impact is expected to be positive including improved financial advice and the linking of new build to the older persons' agenda.

There will be a positive impact on the environment through energy efficiency works and new build and regeneration schemes.

Further Information and Comment

A summary version of this plan is available at www.wigan.gov.uk/Services/Housing/HousingStrategyPolicy or www.walh.co.uk/AboutUs

If you would like to comment on the plan you can do so by e-mailing hst@wigan.gov.uk

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