



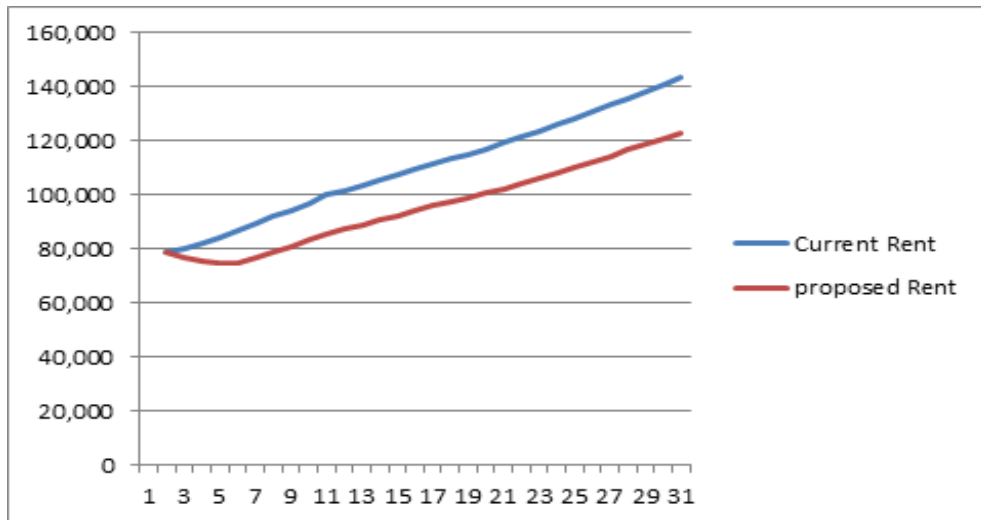
Appendix 3: Background – 1% rent reduction

1 Summary

- 1.1 Since last year, the Council's Housing Budget has not changed and the proposed HRA Business Plan indicates that there are no immediate impacts arising from the Council's proposed investment for existing tenants. The capital programme of repairs and improvements remains broadly the same over the next 3 years and remains at the same budget as 2015/16, namely anticipated spend of £1.4bn over 30 years.
- 1.2 Nevertheless, recent modelling has shown that a budget of £1.8bn over 30 years may be necessary, and once the details of the Housing and Planning Bill are fully released and understood, officers will re-visit this modelling and the ability of the HRA to sustain a repairs and improvements programme greater than £1.4bn.
- 1.3 Key investment programmes included are:
 - The HRA capital programme of continued investment in existing housing stock;
 - The housing estate renewal programme
 - New affordable housing supply schemes, funded through the HRA and the Affordable Housing Fund.

2 Background

- 2.1 Based on current assumptions and projections, Westminster's HRA is viable and supports the proposed investment plans. However, since last year's business plan was approved, the Government has announced a number of policy changes that will have wide-ranging impacts on the Council's ability to fund its planned programmes.
- 2.2 The most significant is a reduction in social housing rents by 1% per annum over the next four years, which has reduced HRA rent income by £32 million in cash terms over the first four years of the plan. The effect on the 30-year business plan is an anticipated NPV loss of investment capacity of £237 million (as shown on the graph below).



- 2.3 Social Rents are set according to a national formula that applies equally to both RP's and LA's. The Government had previously given a 10 year guarantee that social rents formula would increase by CPI+1% a year for 10 years. This proposed change has created uncertainty about the government's commitment to this guarantee; the HRA BP assumes that after the stated 4 years rents will revert to CPI+1%.
- 2.4 Other key elements of the Bill include: a) the sale of high value local authority voids to fund the Right to Buy to housing association tenants; and b) the 'Pay to Stay' initiatives. However, these have not been sufficiently detailed by Government to allow detailed modelling at this time.
- 2.5 This reduction in HRA income, both actual and anticipated, has led to an initial review of priorities within the HRA investment strategy. Key initiatives and existing commitments to residents have been protected, including: investment to protect residents' health and wellbeing such as fire precautions, adaptations and measures to address condensation in council housing stock; investment schemes that are already well into the planning stage and on which residents have been consulted; and the housing renewal programme schemes.
- 2.6 In order to protect the above commitments, a prudent decision to re-programme investment in existing stock that was originally programmed for 2018/19 onwards has been made. However, the impact of this is that our target to have all council stock maintained at the CityWest Homes (CWH) standard (i.e. above the basic decent homes standard) will not be achieved. Nevertheless, we estimate that at any one time, at least 80% of the housing stock *will* meet the CWH standard.
- 2.7 The **programme of investment in existing stock** will see £251m of HRA resources expended over the next five years on improvements, benefiting around 9,000 homes and wider estate environments. This includes both capital spend of £172m and revenue repairs of £79m. Over the 30-year planning period, the total investment in the stock totals £1.4 billion (£941m capital and £473m revenue).

- 2.8 The **Housing Renewal Programme** will deliver circa. 2000 new mixed-tenure homes and wider benefits to the city's poorest neighbourhoods. The total gross council costs (including sunk costs and anticipated spend this year) are estimated to be £315m. As well as new homes, the cross-cutting renewal programme delivers jobs for local people, new community facilities and assets, space and support for business and enterprise, improved health and care outcomes, and significant investment in public realm and infrastructure.
- 2.9 Outside the housing renewal areas, new **affordable housing supply programmes** are expected to deliver nearly 1,000 new affordable homes over the next five years. Registered Provider partners will deliver 256 of these, with the remainder to be delivered by the City Council through both the HRA and the Affordable Housing Fund.
- 2.10 The Council's **Affordable Housing Fund** supports delivery of new affordable housing in the city, with over £200m either committed or set aside to support both the new supply and housing renewal programmes outlined above.

3 Conclusion

- 3.1 The investment programmes outlined above will help to transform many of our neighbourhoods. The benefits of planned investment are wide, impacting: housing; health and care; jobs, business and enterprise; place-making and the built environment; assets for the community; and bringing about greater community involvement.
- 3.2 Nevertheless, the HRA business planning process for 2016-17 has been particularly difficult to complete. There remain a number of significant uncertainties around the impact of the proposed changes in Housing and Planning Bill, the Comprehensive Spending Review, and the local Government settlement is still pending. The HRA business plan has therefore been constructed upon very prudent assumptions yet at this point, still has some unapplied investment capacity and headroom. This plan represents a prudent holding position, subject to confirmation of the detail and impact of the Government's changes. Over the coming year, as more detail emerges, we will be better able to model the implications and more fully review the planned investment programmes in preparation for next year's business plan.