



**POLICY AND RESOURCES SCRUTINY COMMITTEE –
4TH OCTOBER 2011**

SUBJECT: WELSH HOUSING QUALITY STANDARD

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 At the Council meeting on 26th July 2011, a report was requested outlining the timescale for the Authority to meet the Welsh Housing Quality Standard.

2. LINKS TO STRATEGY

- 2.1 The Welsh Housing Quality Standard is intended to ensure that all local authority and housing association homes are improved and maintained to achieve specified standards.
- 2.2 Relevant policy documents are the National Housing Strategy “Sustainable Homes” WAG; the Council’s Community Strategy; Corporate Improvement Plan; Safer Caerphilly Community Safety Plan; Living Environment Strategy; Regeneration Strategy; and Children and Young People’s Plan.
- 2.3 The Council’s Local Housing Strategy “People, Property, and Places” has the following aim:
“To provide good quality, well managed houses in communities where people want to live, and offer people housing choices which meet their needs and aspirations.”

3. THE REPORT

- 3.1 During the early part of 2010, the Council took a decision to ballot tenants on stock transfer to a new Registered Social Landlord (RSL). The process the Council has to follow is set down in the Housing Act 1985 and the Statutory Guidance in the form of the Welsh Assembly Government Housing Stock Transfer Guidelines 2009 (as updated in 2010).
- 3.2 The Council meeting on 21st June 2011 approved the Offer Document, subject to Welsh Government acceptance, as the basis on which tenants will be formally consulted prior to the ballot to transfer the freehold ownership and management of homes from the Council to a new Registered Social Landlord, Castell Mynydd. The Welsh Minister’s approval of the Offer Document was received on 12th August 2011.
- 3.3 The Offer Document was developed on the basis of a transfer business plan approved by Welsh Government. One of the key requirements of the transfer business plan is to demonstrate that Castell Mynydd would be able to achieve the Welsh Housing Quality Standard within 5 years from the date of transfer (in Caerphilly’s case by the end of 2017). Consequently, the original work to develop the Offer Document had not, therefore, considered the options beyond 5 years and sought to establish the comparisons based on what the Council could afford to deliver over an equivalent 5 year timescale to Castell Mynydd, as required by the Welsh Government.

- 3.4 However, further examination of the HRA business models prepared for comparison with the transfer business model shows that surpluses are generated from year six onwards and over the 30 years of the business plan there are net surpluses. The biggest problem is, therefore, the early years when significant borrowings are necessary to bring the stock up to standard. This was presented and clarified to Council on 21st June 2011.
- 3.5 The HRA business plan has been remodelled to see what the earliest date might be for the Council to achieve WHQS in the event of a “no vote”. To do this, various assumptions had to be made but this did indicate that if the Council was prepared to make various borrowing decisions, there was the possibility of a strategy to deliver WHQS in the financial year 2019–2020.
- 3.6 The WHQS requires a high level of investment to meet and maintain WHQS over a 30 year period. If the planned investment programme to achieve WHQS was profiled over a longer time period to 2019-20, a financial strategy that would be affordable to the Council and that will not impact on other services is possible but deliver WHQS just 2 years later than Castell Mynydd. This strategy enables the HRA to maintain an operating surplus each year that does not fall below the Council’s agreed minimum reserve for the HRA of £1.6m. This strategy to achieve WHQS by 2019/20 has been validated by Sector. From 2016-17 onwards, there would be significant surpluses beyond the reserve figure that would be available for enhancing the service and that could match all the commitments within the Offer Document. Subject to Members views in respect of the minimum reserve within the HRA, it may be possible to release funds on a phased basis at an earlier stage if there was an identified service priority need.

Any future service changes would be subject to consultation with established representative Tenant Groups and the wider tenant population enabling tenants to be involved in the development and improvement of the service.

- 3.7 It is, therefore, concluded that the Council would have a viable business plan that could achieve and maintain WHQS and in addition match all the service improvements in the Offer Document over a timescale that would be two years longer than that of Castell Mynydd. Potentially, therefore, the Council would aim to be 82% compliant by 2017 as compared to 100% by Castell Mynydd. Indeed, the current estimates suggest that the same level of spend would be delivered by the Council as Castell Mynydd over the 30 year period.
- 3.8 The Offer Document has focused on the five year timescale for Castell Mynydd to achieve WHQS and it remains the case that the Council could not meet WHQS by 2017. However, in view of the further analysis that has demonstrated the Council could achieve WHQS by 2019-20 and meet all the commitments within the Offer Document, Members may now wish to recommend that Council adopts the “19/20” retention plan in the event of a ‘no’ vote in the ballot on stock transfer.

4. FINANCIAL IMPLICATIONS

- 4.1 The basic assumptions behind this new business plan are that contributions to fund the investment come from the following:
- £1.1m of management costs savings (same as retention plan in Offer Document). The management cost savings comprise vacancy savings that have already been achieved and a reduction in corporate recharges that are built into the MTFP. These are real cost savings that have been delivered.
 - £22m of General Fund capital resources in year 1 (compared with £17.5m in retention plan in Offer Document).

- £39.3m of HRA unsupported borrowing in years 2 to 5 (compared with £30m in retention plan in the Offer Document).

(N.B. Sector has independently confirmed the accuracy of these assumptions. Additionally, these assumptions were provided to Welsh Government to scrutinise and after due consideration, have confirmed, in writing, they have no outstanding issues.)

- 4.2 The estimated cost to the Authority of housing stock transfer is £2.5m per annum. This sum comprises pension deficit costs and loss of economies of scale in respect of the Authority services provided to the HRA. This £2.5m, which has been identified in the MTFP (as agreed by Council on 24th February 2011) has been used to fund a reduction in the HRA recharge of £500,000 per annum and borrowing costs to fund £22m of capital investment in WHQS works in the first year. The fact that the cost of transfer to the General Fund is estimated to be the same as the cost to support the retention plan ensures there is a no impact on services outside the HRA.
- 4.3 The WHQS retention plan shows that the HRA unsupported borrowing of £39.3m is affordable. The fact that WHQS can be achieved by this plan would, if adopted, in the event of a 'no' vote, remove the possibility of future transfer.
- 4.4 The surpluses shown in this retention plan offer the scope for service enhancements along the lines of those included in the Offer Document.
- 4.5 Members are advised that there have been a number of significant events since the Council report in February 2010 that have resulted in WHQS becoming a more affordable option for the Authority. These are:
- change in the timescale by Welsh Government to 2017
 - savings resulting from the pay freeze
 - vacancy management savings of £600,000 per annum
 - savings from the reduction in the employer's superannuation rate in 2011/12
 - an improved MTFP that caters for the cost of transfer estimated at £2.5m per annum
 - an increase in the management and maintenance (M+M) allowances for 2011/12 that were much higher than the assumed increase allowed by WG in the original business plan. For 2010/11, the increase in the M+M allowance was 3.84%, after an increase in the previous year of 9.8%. This was against an assumption in the business plan of 4.5%. This was a real concern at the time the decision to go to ballot was taken by Council. The actual increase a year later in 2011/12 was 8.83%, against a revised increase in the plan of 4%.
- 4.6 The 19/20 plan has the ability to achieve the same total spend as the RSL over a 30 year period.

5. PERSONNEL IMPLICATIONS

- 5.1 HRA efficiency savings have been made by not filling vacant posts and have been retained for investment in improvements to the housing stock. The vacancy savings required to support the business plan outlined have already been made and will help support the necessary borrowings. The "19/20" retention plan is not therefore dependent on making any further savings on staffing costs.

6. CONSULTATIONS

- 6.1 As listed.

7. RECOMMENDATION

- 7.1 In light of the information now available in respect of the timescale for the Council to achieve WHQS, the Scrutiny Committee recommend to Cabinet that the “19/20” business plan is adopted as the Council’s WHQS plan in the event of a ‘no’ vote in the forthcoming ballot, and that the Council discuss with the WG the communication of information about this plan to tenants prior to the ballot in order that tenants are fully informed before deciding how to vote.

8. REASON FOR RECOMMENDATION

- 8.1 To respond to a request from Members and advocate a course of action in light of new information following further financial modelling.

9. STATUTORY POWER

- 9.1 Housing Act 1985.

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