

Budget Scrutiny Submission for PCC by Plymouth Community Homes (PCH)

1. Context

- 1.1 PCH is the charitable, industrial and provident society formed in November 2009 to receive the transfer and ownership of some 16,000 homes from PCC.
- 1.2 The agenda for the initial five years has been set out in 125 promises to residents. While these cover a range of service improvements, the focus has been on delivering major improvements to homes via a Decent Homes programme and the regeneration of North Prospect. We are in the business of creating places where people want to live, supporting residents and improving services to our customers
- 1.3 The business plan to support the transfer incorporated an expectation of £117m in government gap funding, all of which has been received. A 30 year loan facility of £110m was also arranged with RBS at the time of transfer. A further £30m loan facility was put in place in July 2013 to support the long-term funding regarding North Prospect.
- 1.4 PCH is regulated and funded by the Homes and Communities Agency (HCA).

2. National Policy

- 2.1 There are four key areas of Government policy that impact on the work of PCH:
- Rent policy
 - Housing supply
 - Energy efficiency
 - Welfare reform
- 2.2 With regard to rents, Government policy is to change from enabling housing associations to increase rents at a maximum of RPI +0.5 (plus £2 a week to enable convergence with other housing association rent levels) to CPI +1%. The inability to charge the extra £2 a week for some properties from 2016 will impact in the long term and will need to be offset by efficiency savings. PCH's rents are among the lowest in the country and some £10 a week cheaper than other housing associations. Our annual rental income in 2013/14 will be c £50m.
- 2.3 With regard to housing supply, the availability of HCA grant to support new housing is critical to the on-going regeneration of North Prospect. Bids will be made in April to HCA to support the regeneration of North Prospect phases 3 & 5. To date phases 1 & 2 have seen 380 homes demolished and 570 new homes built, of which 260 are new private homes. Altogether, £11m of HCA grant will lever in £47m of PCH loan funding and £65m of funding from the private developer Barratts.

- 2.4 Any funding reduction in future phases would inevitably threaten the numbers of affordable homes provided as part of the regeneration and potentially reduce the employment opportunities that such a regeneration programme generates. To date 600+ jobs have been create through the regeneration.
- 2.5 Under the Governments energy policy PCH has benefitted from energy company funding first under CESP and now under ECO (Energy Company Obligations). These funding programmes have involved external wall cladding to solid wall properties which improves thermal insulation reduce fuel bills by c40%, dramatically enhances the appearance of estates and creates hundreds of local jobs. The Government's recent recalibration of ECO funding focus and timescale should not affect the £30m partnership with British Gas to improve some 4000 homes in the next 3 years. If the contract with British Gas was reduced in value this would have implication not only for our business but also for tenants and their fuel bills..
- 2.6 Welfare reform policy is beginning to impact strongly on PCH. It is unlikely that Universal Credit including housing benefit will be implemented in Plymouth next year. Some 1400 tenants are affected by the bedroom tax/spare room 'subsidy'. PCH has provided extra resources to support and advise tenants affected. Some 140 tenants have moved home since April. Our rent arrears overall have been pegged at around 2.6% which is at pre-bedroom tax levels. However the medium term sustainability of this is questionable as tenants are no longer able to maintain the additional rent payments from their own resources to offset the loss of housing benefit.
- 2.7 Around 57% of PCH residents claim some sort of housing benefit. PCH's position on this policy is consistent with that of other housing associations in that these changes places additional burdens on already vulnerable people and in the medium term will increase our costs and reduce our income.

3. PCH Priorities

- 3.1 Over the last 4 years PCH has made a major impact in the economic life of Plymouth and for example £115m has been invested in Decent Homes to date. PCH's annual turnover is c £83m and last year £47m was spent with local SMEs/PL based businesses. We are the city's leading housing provider and we employ 650 employees of which 97% live in areas with a PL postcode. From April 2013 all staff are paid at or above the living wage.
- 3.2 Our work has been, and will continue to be aligned closely to the City Council's agenda. Our business plan 2013-18s sets out our key priorities which include:
- Continuing customer service transformation
 - Developing 750 new homes in the next 5 years outside North Prospect
 - On-going North Prospect regeneration
 - On-going business effectiveness around maximising increased of value for money
 - Reducing barriers to work health inequalities for our tenants.

- Improving our environmental sustainability across the organisation including our housing stock.

3.3 As an organisation we are financially secure. We have a clear value for money/fit for purpose services strategy. We have challenging efficiency savings built into our business plan but have already made substantial progress. We have delivered both service improvements and reduced costs in areas like housing repairs, caretaking and grounds maintenance. Savings have also been achieved on procurement especially around the kitchen & bathroom replacement programme. This has enabled us to invest in communities beyond bricks & mortar. Our £1m annual investment in improving the environment on our estates is an example of this.

3.4 Our recent move to our new premises at Plumer House where the majority of PCH staff will be based will help support further efficiencies around accommodation costs and act as the base for a new enhanced customer contact centre.

3.5 We aren't planning major changes outside this ambitious agenda to service delivery and certainly nothing which will detrimentally impact adversely on partners or the communities we support.

4. Areas of Support / Partnership Working

4.1 We have a close working partnership with PCC and other stakeholders.

4.2 PCH participates in a range of agendas/initiatives including:

- Health & Wellbeing Board
- Fairness Commission
- Jobs Task Force
- Digital Inclusion
- Plymouth Community Energy
- One Plymouth
- Social Enterprise Network
- Plymouth Procurement Forum
- Plymouth University Talent & Enterprise Trust

4.3 We deem partnership working in Plymouth to be a strength and the relationships we have at all levels within PCC is a positive feature of our work.

5. Concerns Around PCC Budget Restrictions

5.1 We collaborate on a range of agendas. There is a general concern that reductions in PCC spending will inevitably impact on community infrastructure in terms of mental health / alcohol services, public health education, youth services and investment in schools in priority neighbourhoods. Housing staff already find it difficult to access adult social care support services for residents that have mental health problems but do not meet the "substantive" need criteria that triggers social care support.

- 5.2 We are concerned that any reduction in the budget for discretionary housing payments will cause further hardship to vulnerable tenants facing reductions in income due to welfare reform. Approximately 50% of applications made to date for these payments have been successful and those that are given are often only for a 3 month period.
- 5.3 A key area of PCH funding has been for property adaptations to meet the needs of disabled residents. PCH has spent £3m from the Decent Homes programme in providing compatible kitchen and bathroom facilities. In addition we have spent 500k a year to date on major and minor adaptations. Given the growing needs of an elderly population in particular we expect to spend 700k next year and into the future. To date we have not called on PCC's statutory Disabled Facilities Grant pot. In future we expect to access the DFG funding stream on behalf of our residents when referral requests are above 5K.
- 5.4 The investment PCH is making in North Prospect includes refurbishment of homes as well as redevelopment. Unfortunately there is no funding stream available from central or local government to support low income owner occupiers to improve their own property. As PCH completes its refurbishment the appearance and poor condition of some owner occupied homes will become more and more apparent. In past years PCC has been able to access a grant pot for private sector home improvements. We understand why this is no longer available but consequently some owners will feel marginalised as defects in their homes become more apparent.
- 5.5 At the time of transfer all amenity land around PCH estates in the south of the city were transferred to PCH and PCC kept the amenity land in the north. We would be concerned if grounds maintenance budgets for PCC were cut because this would have an adverse appearance on our estates in the north of the city. Similarly PCH does make investment in environmental improvements on our estates including car parking. It is helpful when PCC budgets and PCH budgets combine to maximise the impact and the value. Again a reduction in these budgets would have an adverse effect on the environment on our estates and we hope that this PCC investment will still be available in the future.
- 5.6 The Council's housing grant strategy is extremely positive and the offer to provide short-term funding to support new affordable homes is very welcome. As part of the transfer agreement with PCC right to buy receipts are shared on a 50/50 basis until 2016 when PCC will receive 100% of the right to buy receipts. To date gross proceeds from right to buy has triggered £ 6.4m through the sale of 123 homes. It is likely that next year we will sell between 50 and 80 homes because of recent increases in the discounts available to tenants .Given the shortage of affordable homes in the city and the impossibility of replacing homes lost via right to buy on a one to one basis it would be extremely helpful if PCC was able to ring fence right to buy sales and use the receipts to directly fund PCH to provide replacement affordable rented homes across the city.