Appendix 1

South Derbyshire District Council

Housing Revenue Account Business Plan

Draft

as at 7th June 2011

Contents

Equal opportunities

South Derbyshire District Council has a policy of equal opportunities. We want to make sure that we treat everyone fairly according to his or her needs.

Upon request, this strategy is available in: -

CD
Large print
Braille

If you have a hearing impediment, arrangements can be made to help you.

If English is not your first language, an interpreter can be arranged to help you.

Introduction
by the Chairman of Housing and Community Services Committee

I am happy to introduce South Derbyshire District Council's updated housing services business plan.

The process of bringing this plan together was an enjoyable one and a true partnership.

Our working group comprised equal numbers of tenants, staff members and councillors supported by officers. We held four consultation events to discuss our services and future priorities with tenants as well as sending out a newsletter and receiving a number of responses to the questions asked in the post.

Behind all the work done is a new financial future for the Housing Revenue Account (HRA) following the decision of the government to proceed with reform of the HRA subsidy system with effect from April 2012. This gives us new challenges and opportunities.

The challenges are about how we fit all our priorities into a plan where resources are tight in the earlier years. We need to maintain property standards but also deliver on environmental and community standards, take account of tenant aspirations but be conscious of the shortage of new affordable housing. There are some difficult decisions ahead. It is clear though that if we are going to spend and deliver more we will need the increased resources and income to do that.

We have an advantage over many other councils in that our services are good, low cost and well regarded by tenants i.e. we're not having to promise big improvements just to get to a sound starting position. I'm personally looking forward to the challenges and opportunities ahead. Collectively in partnership with our tenants we'll be in control of our own destiny and I'd much rather this than the direct central government control we've had in recent years.

The working group produced the draft plan in May 2011 and it was approved by the Housing and Community Services Committee in June 2011. The final approved document is the one you see here.

Councillor John Lemmon
June 2011

The overall aim of the business plan is:

- To set out a long term plan for the council's housing stock
- Ensure adequate financial planning is in place
- Evidence how we will manage our housing stock revenue, demand and stock condition

This plan is at the centre of the management and delivery of the council's landlord role. Responsibility for production and development of the plan rests with the working group and senior management officers although appropriate support has been sought from other services within the Council as well as external consultants. Most importantly, the plan is consistent with our housing strategy.

If you have comments to make about the plan these should be sent to:

Head of Housing and Environmental Services
Civic Offices, Swadlincote, Derbyshire, DE11 0AH

Executive summary

This business plan is focussed on the management of the authority's housing assets and financing the necessary investments. It is the key element in ensuring the effective short and long-term management and maintenance of the council housing stock.

The key issues identified in the plan are:

- The new financing regime for local authority housing from April 2012 known as "self financing" provides a substantially improved position for the SDDC HRA (Housing Revenue Account) than the current national subsidy system.

- Self-financing will entail SDDC 'buying out' of the national system at £55m. We will need to borrow at least that amount and pay it to government in April 2012. There is no choice about this – it is being legislated for.

- The 2009 stock condition survey identified £108.2m of works required to the housing stock over the next 30 years. These cannot be funded in the current financing regime but can be funded in full in the new system.

- However the requirements of the stock condition survey are loaded to the early years of this plan and combining this with the debt interest needing to be paid means that there will be a limit to additional spending power in the first 10 years of this plan.

- The receipts from Right to Buy housing sales will still be subject to national pooling i.e. 75% of the receipt will go to government. The HRA Business Plan working group strongly recommends that the remaining 25% receipts must stay in the HRA to help fund the debt repayment, rather than be used in the General Fund as has become the norm in recent years.

- In consultation over the plan residents have expressed satisfaction with current service standards and broad spending priorities of the Council. However they would like to see additional resources committed to environmental/parking issues and a decorating scheme for the elderly and vulnerable. The provision of upgrading bathrooms to include electric showers is also recommended.

- The income and expenditure profile used within the plan is based upon rents rising in line with the government's formula rent. The idea behind formula rent is that it is linked to the local economy and local circumstances. According to the government's formula we are significantly undercharging for the quality of the product we are providing relative to those local circumstances. The working group are recommending that the Council should move its rents to the government formula level asap. A five year rent policy is proposed rather than an annual consideration to enable better planning of resources generated i.e. contracts can be committed knowing that the income to finance them has been broadly agreed.

- With self financing comes more financial freedom although we have a borrowing cap of £64m imposed upon us. At two extremes, one option would be to borrow the minimum amount required to buy out of the national system, restrict investment in the stock as much as possible and pay off the debt as soon as possible. As opposed to the other extreme of borrowing and spending as much as possible and paying off debt as late as possible. The working group is recommending borrowing £60m.

- There are several key issues that need to be considered in greater depth subsequent to the adoption of this plan and to be approved in the Council's formal Committee structure in 2011/12. The most notable are a treasury (or debt) management strategy, a rent income strategy for the next five years and, alongside that, an updated five-year stock investment detail.

- This plan also includes for a pilot refurbishment of a garage site given that we need to develop a strategy of dealing with our 52 garage sites many of which are in a poor condition.

- Further work is also recommended on the disaggregation of service charges and the use of HRA facilities by the wider community i.e. generating more income by charging for those who receive more services or by charging in line with costs.

Local strategic context

“How well does the plan explain the role the authority's own stock needs to play to support the overall housing strategy?”

1.1 This plan is written in line with overall housing strategy, which in its latest version was “fit for purpose” in 2009. The aim of this business plan is to clearly show how housing and wider community objectives will be supported through action on council housing.

1.2 The key elements of this plan are demonstrating how the council will continue to provide a high quality service, maintain and develop its major repair and improvement programme and how it will respond to a new financial regime following reform of the Housing Revenue Account (HRA) subsidy system.

1.3 At the heart of everything is the council’s housing services mission statement which states:

> “Through **high quality** services delivered in **partnership** with **customers**, the provision of well **maintained affordable** homes that meet the **requirements** and **aspirations** of the people of **South Derbyshire**”

1.4 The council’s objective remains one of having the best housing service possible with the resources available. In recent years, according to benchmarked figures, it has met this objective being a top performing low-cost service. It is a key corporate objective to improve housing conditions across both public and private sector housing stock.

1.5 For 2011/12 the council has been under pressure to reduce costs generally and specifically as a result of significant cuts in government grant into the General Fund. Although the HRA is also operating in deficit in the current subsidy system there is the prospect, with HRA reform being implemented from April 2012, of a more adequately funded housing service and Housing Revenue Account (HRA).

1.6 With the advent of that new financial future, the council is taking the opportunity to review its plans for the housing service and consider what the new financial framework might make possible for the council over the short, medium and long-term.

1.7 The housing strategy was last updated in 2009 and sets out a vision and objectives for the service for 2009/14. In addition, a wide range of surveys have been undertaken since the last business plan was developed which have helped to inform both the service and future plans.

1.8 The HRA business plan, therefore, is the key plan for managing the authority's housing assets and financing the necessary investments.

1.9 Local demand and management

1.9.1 South Derbyshire District Council has 3,051 homes (April 2011) throughout the district, 1,012 (33%) of which are sheltered. Included in the stock are 222 homes of non-traditional construction.

1.9.2 There is high demand for rented housing in all areas with no low demand properties. Some sheltered housing has in the past been more difficult than the average to let but this is only in comparison to demand locally and has not been a major issue for the council (although proactive management has helped ensure this to be the case).

1.9.3 An option appraisal process has led to some sheltered units being sold and redeveloped and others being declassified (redesignated as general purpose stock). It also saw the remodelling of properties to get rid of bedsits of which only ten now remain.

1.9.4 Overall there is high demand for accommodation with over 1,800 applicants on the council's waiting list, up from 700 in December 2008. However, to meet these demands there are only 250 properties relet a year, of which a significant percentage are transfers (current tenant moving to a different property). In addition there are only around 50 housing association lets a year (excluding new developments) against a local Housing Association stock of 770.

1.9.5 Where our own properties do become available they are not always of the type that is needed to meet the highest demand. The least demand is for upper floor flats and one bed accommodation for the elderly, although these are not difficult to let in accepted national terms.

1.9.6 Against this, there is very high demand for two, three and four bed houses when these become vacant. In rural areas, the lack of supply is such that allocations create large amounts of interest as to who is allocated a property i.e. they can be so rare it becomes a local event in its own right.

1.9.7 Rent levels are low compared to other social housing providers in the district. The financial debt settlement we have to pay to government at April 2012 reflects that we should be generating significantly more income from rents.

Organisation	**2009/10 – Average Rent £**
South Derbyshire	**60.27**
Trident HA	75.34
East Midlands HA	73.44
Spirita	76.40
Derwent HA	78.82

1.9.8 In developing any business plan equal regard needs to be made to income as well as to expenditure.

1.9.9 To date income into the HRA has largely been driven by national rent policy and the Council in all of the last ten years, except one, has followed the government proposed rent increase. The reason for this is that the nature of the outgoing subsidy system is that it financially penalises an authority which doesn't comply with that national guidance.

1.9.10 National rent policy under both the previous and the current government has been determined by trying to move social housing rents so at least they reflect the local housing market. There has never been a suggestion that social rents should be the same as market rents. The other main principle of the national policy is that a Housing Association home and a Council home of similar age and similar facilities in the same area should have broadly the same rent.

1.9.11 As can be seen from the table at 1.9.7 our rents are significantly lower than those of RSLs operating in the District and this is why, under national policy, we have seen real terms above inflation increases in rents in an effort to get to the position where rents do broadly match – a process known as rent convergence.

1.9.12 Indications from government are that national rent policy will continue under the new self financing regime although as the subsidy system will have been removed it's not clear what lever or penalty can be imposed on a local authority that does not comply.

1.9.13 A key issue in terms of projecting the business forward is that investment in the stock, its environment, new services or new build will be determined by how much income we receive and therefore a robust rent policy over at least a five year period is recommended.

1.9.14 A snapshot of the condition of the housing stock as at 2009 reports it to be generally good. There has been a programme of cyclical maintenance for over 20 years and this has clearly had positive effects. However the 2009 stock condition survey clearly indicates that the scale of work required in the next five years could not be funded under the current finance system and that even under the new proposed system some works may need to be deferred within five-year planning cycles to ensure that expenditure is always in line with available resources.

1.10 Wider Strategic context

1.10.1 In the housing strategy four objectives are set out:

- Increase the supply of affordable housing
- Supporting people to live independently
- Delivering a service tenants want and making sure this is value for money
- Improving the quality of the existing housing stock

1.10.2 The Housing Strategy and associated primary and secondary research undertaken in the 2007-2009 period indicated significant under provision of affordable housing in the District and that 399 new affordable homes were needed per annum for 5 years to help meet that shortfall and projected inward migration. Although for the last three years more affordable homes have been developed in the District than have been lost through the Right to Buy, this follows nearly 30 years of the opposite being the case – 77 new Housing Association homes were provided in 2010/11. All current properties are therefore in demand and all social housing providers need to work together to maximise the number of additional properties coming forward.

1.10.3 The role of the Council in new build in recent years has been in facilitating others to develop and this function must continue given the excess of demand over supply. However the advent of self funding and the promise by Government to allow Councils to access new build grant in the future raises the option of the Council contributing to new provision for the first time in a generation. This is particularly challenging though at a time (2011/12) of a 63% cut in new build social housing grant available from the Homes and Communities agency.

1.10.4 Increasing the supply of affordable homes in the district also links to under and over occupation.

1.10.5 There is currently no proactive management of under or over occupation in our own stock as the data cannot be identified at the present time but this is a strategy area that officers are keen to focus on for the future. This will become particularly important linked to benefit and welfare reforms that are being proposed by government.

1.10.6 Making sure properties are suitable for lifetime living is a key part of the strategy although some properties are not adaptable due to stepped access, narrow return staircases, etc. Significant funding for adaptations based on disability is assumed to continue under this plan.

1.10.7 There is now (from April 2012) a Government requirement for each local authority to establish a rent strategy for it's own area which is meant to guide all housing providers. The strategy needs to specifically address the Government's new supply Rent Model which is about having significantly higher rents in a proportion of the national housing stock.

1.10.8 The rents could be upto 80% of market rents and the idea is that they will generate higher revenue incomes enabling more new properties to be built with a lower capital requirement. It is thought that the new higher 80% of market rents will be primarily aimed at new build properties

1.10.9 As the Government's new build rent model appears to be based on the higher difference between social and market rents in the south-east there is some sceptism about whether it will work here and especially in the more economically depressed areas of the country.

1.10.10 For the purposes of this plan and our own stock it is not currently proposed to move any of our existing stock to this new rent model at this time.

1.11 Supported Housing Services and ‘Supporting People’ funding

1.11.1 During 2010 and the first half of 2011 the Housing Service has been engaged in a wholesale review of it’s Supported Housing Service. This will rationalise service levels in terms of targeting services at those who need them most through a flexible delivery and pricing model. Sounds grand but in essence means you get the service you need at a commensurate price rather than the previous one size and price fits all.

1.11.2 The review also means that costs will be reduced and the number of mobile wardens will reduce by 3 but that Supporting People income will also reduce in line with the new pricing structure.

1.11.3 One of the drivers, although not the main one, for the review was a shortfall in income to expenditure and the review will significantly close although not eliminate that gap.

1.11.4 In 2011 the County Council intend to subject their funding element (known as Supporting People funding although government grant to the County no longer makes that distinction) for Supported Housing Services to competition.

1.11.5 The aim of that exposure to competition is to drive costs down and therefore there is likely to be a further reduction in our income in the coming years. It is anticipated that the new contracts will be place around the end of the current financial year (2011/12).

1.11.6 In a strict business sense if services are not breaking even and we don’t tender for or lose out in a tender process this has a positive effect on the HRA balance sheet. However these are highly valued services by our customers and the current strategy of the service is to close the finance gap as much as possible and continue to deliver subject to the competitive process.

1.11.7 In 2003 the Council established a vision and set of standards it wanted to establish in the Supported Housing stock. These included minimising the number of bedsits, creating level access to properties, providing non-slip flooring in kitchens and bathrooms, providing lever taps, amongst a number of other things. The cost of this was estimated at £1.2 - £1.3m and to date around £1m has been found from the rationalisation of other assets. It is anticipated that receipts from the sale of the homeless persons hostel and other HRA property in the first quarter of 2011/12 could close the funding gap to around £100,000. It is proposed that a combination of MRA reserve and balances be then used to complete the Sheltered Housing Vision.

1.12 Objectives

1.12.1 The overall objective for the council, and in this context the housing service, is to improve service delivery. The transformation of the service in benchmarked terms from poor to excellent over the last eight years gives a sense of real pride to members, staff and customers.

1.12.2 Our performance across all the main Key Performance Indicators (KPIs) matches the very best in the country. We are the only District Housing Service in the country fully accredited to the Investors in Excellence standard. Having worked hard to get to this point maintenance of those standards and the associated performance is a key issue for us.

1.12.3 Most focus over the past few years in terms of expenditure has been the condition of the properties themselves with the objective of meeting the government’s target of Decent Homes by 2010. This was achieved. The pressure is now on to at least maintain that standard.

1.12.4 There are, however, further environmental pressures and work is required on the estates to deal with parking issues, walls and fences and a large number of our 52 garage sites are in poor condition.

1.12.5 Added to this is the need to meet energy efficiency and climate change challenges which are part of the council’s corporate plan and to which the housing service needs to contribute.

1.12.6 In addition tenant aspirations continue to increase and change over time. There is therefore a continual need to refer back to tenants on plans for services and developments for the future to check out whether the strategy embarked upon is still the correct way forward.

Action points

1.1 Complete and implement the Supported Housing Review in full by 1st December 2011.

1.2 Seek Committee approval to complete the Sheltered Housing Vision in 2011/12.

2 Effective consultation

"What evidence is there of effective consultation with tenants and leaseholders, including satisfaction surveys, in the development of the Plan and that due weight has been given to their views?"

2.1 This business plan has been the subject of consultation with tenants and other stakeholders as well as a properly joined-up decision taking process within the council. This has ensured that informed decisions have been taken on relative priorities and due account has been taken of the links and synergies between different service areas.

2.2 Consultation has taken place in the form of:

- A working group of equal representation of tenants, members and staff supported by council officers

- A series of consultation events open to all tenants held across the district accompanied by a focussed additional newsletter "Financing the Future" with pre-paid return envelope for comments.

- A follow up consultation event with the full Tenants' Forum

2.3 The aim of the consultation events was two-fold; to explain what the financial changes coming through reform of the HRA subsidy system will mean for South Derbyshire tenants and to ask them about the services they currently receive and what service should look like in the future.

2.4 Four specific questions were asked of tenants at the consultation events and through a questionnaire in the newsletter;

- Are there any service areas you feel South Derbyshire District Council should spend more money on?
- Are there any housing services which you feel South Derbyshire District Council should be spending less money on?
- Are there any additional services which you feel Housing Services should provide?
- Are there any additional services which would make a difference to your local community?

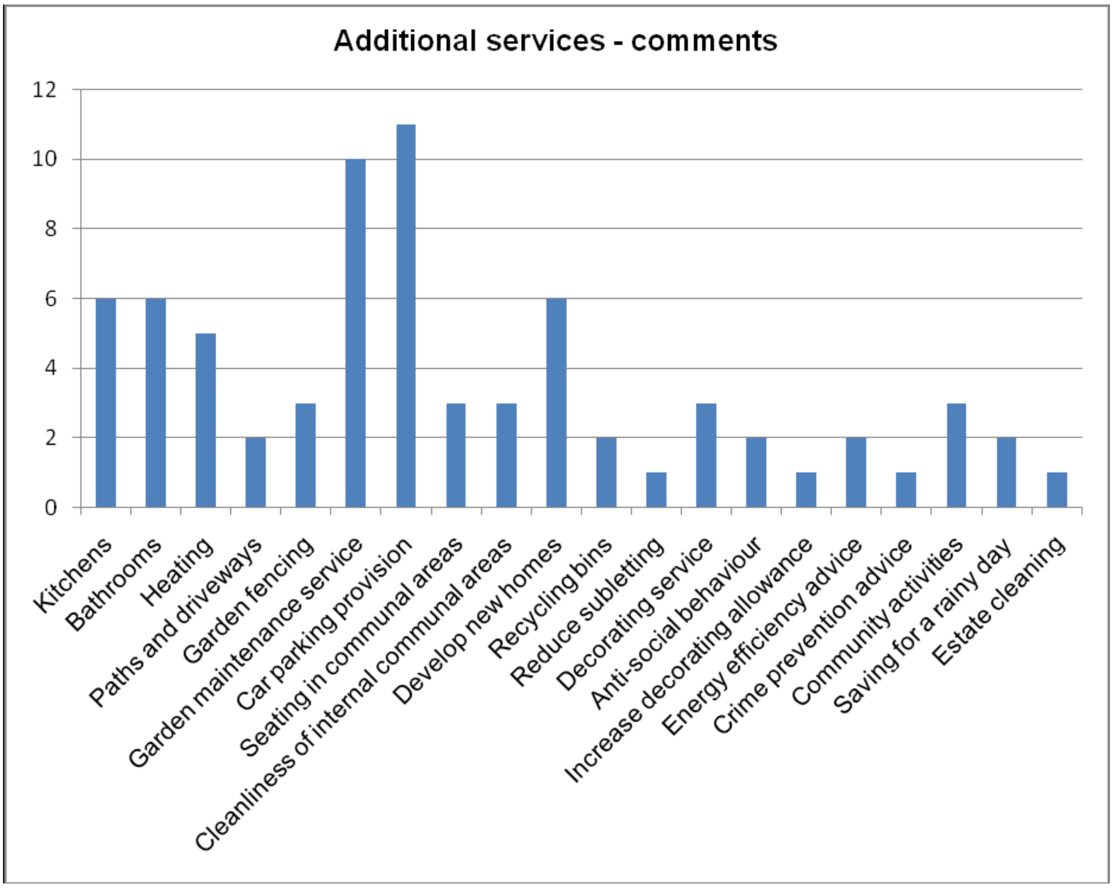
2.5 The results demonstrated that tenants across the district were happy with the services that they received from South Derbyshire. This high level of satisfaction meant that residents were unable to identify many areas for improvement.

2.6 However, there were some recurring themes on changes to current services which arose at each of the meetings;

- Car parking – the lack of parking, or the unauthorised parking and lack of parking signage

- Grass cutting – the general standard of grass cutting and level of ‘debris’ left by the mowers
- Shortage of affordable housing – there is a recognised need for additional housing and concerns over the levels of Right to Buy purchases
- Improvements to bathrooms and kitchens replacement

2.7 In relation to additional services, there was a range of responses as shown below. Given the current high satisfaction as stated above, there are relatively few suggestions for service development and therefore some caution must be given to the findings below i.e. the area of most concern was only mentioned by 11 people.



2.8 The results above show the issues of garden/grounds maintenance and car parking again but also gives some additional areas for the council to look at in the future.

2.9 Although the numbers of actual suggestions by customers is low, compared to the overall number of tenancies, in terms of the areas of concern they tally with previous three widespread consultations carried out by the service relating to the stock options appraisals of 2005 and 2009 and the status survey of 2008. Therefore there is some considerable cross referencing that can be done to validate the findings of this business plan consultation.

2.10 At the follow up discussions with the full Tenants' Forum, priorities flowing from the results were highlighted for consideration by the council as follows:

Year 1-2 Priorities

- Decorating for pensioners and those who are unable to decorate their homes
- Anti-social behaviour methods

Year 3-4 Priorities

- Parking
- Tenant Reward Scheme

Year 5 Priority

- Estate management improvements
- Community Payback scheme

2.11 New council homes being built was mentioned through both the consultation exercises but was not seen as the most important thing for the council to allocate limited resources to. However, there was a belief that new homes would help to deal with some of the housing demand issues that tenants see in the area.

2.12 The year one priority item of decorating for pensioners and those who are physically unable to decorate their homes has been initially assessed at a cost of £50,000 per annum. However more work would need to be done on the qualifying criteria for such a scheme and whether it would be totally free, subsidised or charged at cost at the point of delivery.

2.13 Although tenants had recommended dealing with anti-social behaviour (ASB) as an issue the Housing Service has just completed a review and overhaul of its ASB procedures (March 2011). These hadn't had time to 'bed in' by the time of this plan's consultation process and people's perceptions were inevitably a reflection of the previous scheme. In addition perceptions of crime and anti-social behaviour are well known to run at a higher level than people's actual experience. The Head of Housing and Environmental Services also adds that; "our housing officer to tenancy ratio is relatively healthy especially for the Council sector. We should be able to meet the majority of customers' estate management expectations within current staffing levels".

2.14 It is not proposed to commit additional resources to ASB at this time. Therefore the tenant priorities identified for Years 1-3 would not be significant compared to the overall cost of the current service.

2.15 Although the tenant forum identified a tenant reward scheme as a year 3 priority there was no general agreement in the forum about how such a scheme should work. Furthermore the HRA Business Plan working group discussed the issue and could not identify the business case for such a scheme i.e. such schemes are usually designed to encourage payment in cases of significant non-payment of rent or encourage care for the property in areas of high tenant neglect. Neither of these situations apply in South Derbyshire where overall there is a good standard of care shown by tenants and payment records are good.

2.16 However rather than dismiss the proposal the working group recommends that the issue is explored further with tenants over the next 12 months as part of other consultation processes. This does mean that the potential cost elements are not factored into this business plan.

2.17 For the year three tenant forum priority item of parking there is a different cost effect.

2.18 The issue of parking, together with potential additional resources being put into estate improvements from year five, was seen as important to tenants who were keen to see the council maintaining the investment in the built environment.

2.19 The additional costs of parking and environmental improvements have been factored into the proposed spending profile – see section 5. In the course of reviewing improvement expenditure in the future, the council has the ability to look at the then planned work in the light of tenant comments and reallocate expenditure as appropriate.

2.20 All these priority areas identified by tenants and their effect on the financial model are analysed further in section 6.

Action points

2.1 Consult tenants upon and develop proposals for a decorating scheme for tenants who are unable to carry out such work due to age and/or disability. Develop proposals by April 2012.

2.2 Consult tenants upon a possible tenant reward scheme by April 2012.

3 Stock condition

“Does the authority have a clear understanding of the condition of its stock including the work required to make it decent, and appropriate arrangements to keep this up to date?”

3.1 The latest stock condition survey was carried out in September 2009. It was based on a 25% sample of internal inspections and a 100% external review.

3.2 Compared with the previous survey (2002) only 244 properties (8%) were categorised as being non-decent in line with the Decent Homes Standard.

3.3 These failures were remedied during 2010 to ensure that the council was compliant with the then government target of achieving 100% Decent Homes Standard by 2010.

3.4 The Housing Services Asset Management plan was refreshed in 2010 to reflect the latest stock condition information.

3.5 Stock condition survey

3.5.1 The survey assessed what the council would need to spend overall in the next 30 years to maintain its homes.

3.5.2 The total cost of this work was assessed as being £108.5 (an average of £3.6m a year). This cost included the necessary catch up repairs identified, cyclical and future major works and improvements in line with possible government expectations.

3.5.3 Since the time of the survey, the information has been updated on an on-going basis following works carried out during 2009-10 and 2010-11. In addition the council undertakes a 10% annual re-inspection to ensure that the information remains valid and up-to-date.

3.5.4 A summary of the figures from the survey is as follows:

£'000	Catch up repairs	Major works	Contingent works	Improvement and related assets	Total
Years 1 to 5	1,440	18,607	1,304	2,115	23,466
Years 6 to 10	-	15,932	1,304	395	17,631
Years 11 to 15	-	13,125	1,304	754	15,183
Years 16 to 20	-	13,342	1,304	175	14,821
Years 21 to 25	-	16,121	1,304	253	17,678
Years 26 to 30	-	16,611	1,304	1,757	19,672
Total	**1,440**	**93,738**	**7,824**	**5,449**	**108,451**

3.5.5. The repairs categories above can be summarised as follows:

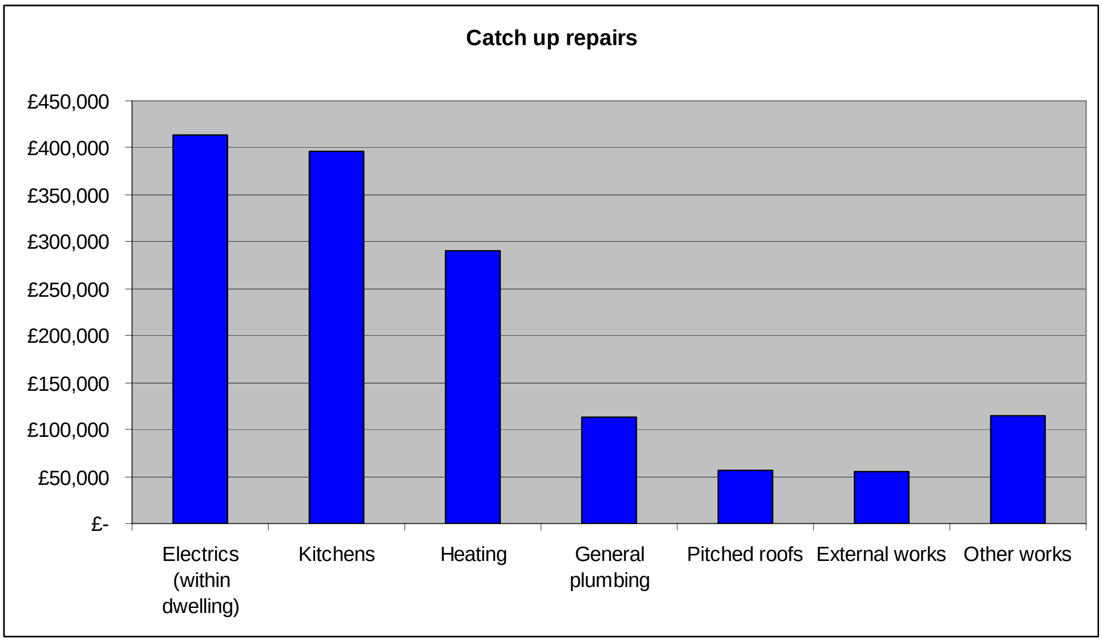
- **Catch-up repairs** are the backlog of repairs needed to make good observable defects in a dwelling. These are usually works which ought to have been done in the past under cyclical or responsive repairs or where planned maintenance has not been carried out
- **Major works** are replacements or major overhauls necessary once catch-up repairs have been completed
- **Contingent repairs** are works which could be reasonably anticipated but for which there is no direct evidence of a problem in the properties concerned
- **Related assets** are repair works connected to the related assets of estates, such as those to garages or unadopted roads
- **Improvements** are defined as works which increase the standard of accommodation either by providing something which did not exist, or upgrading an element to be replaced

3.5.6 The figures from the survey are at 2009 prices and do not include allowances for any inflation after July 2009, fees, management charges and any costs of decanting tenants where this should be required. Prices have not been formally uplifted to a 2011 base as external advice and in-house tendering experience has been that contract rates have not increased in this period and overall may have even reduced.

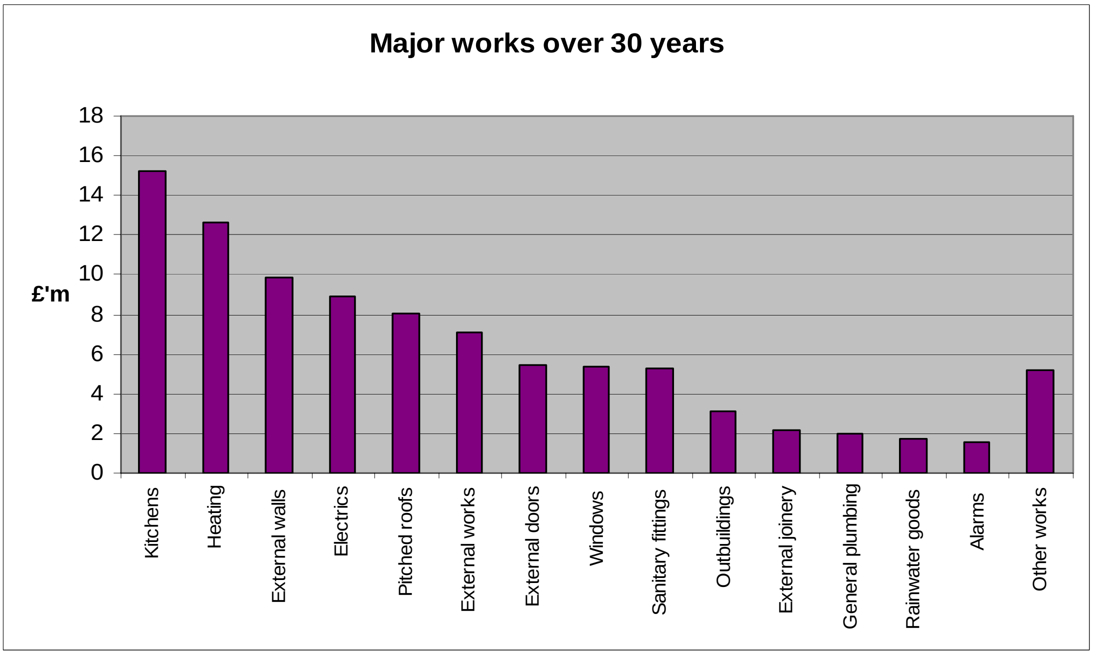
3.6 Work required

3.6.1 Within each category the stock condition survey gave some detailed information as to what work was assessed as being required on particular elements.

3.6.2 In respect of catch-up work the split of the £1.44million assessed as being outstanding is as below:



3.6.3 Planned major works, based on the survey, over the 30 year timeframe is focussed as follows:



3.6.4 There may be additional areas where work needs to be done including water services, drainage, drives and pathways.

3.6.5 All windows are now double-glazed but there are some places where work is now required on the frames. An emerging issue is that some of the windows and doors are now 20 or so years old and construction standards have improved to the extent that energy efficiency could be significantly improved in some properties if we upgraded the current double-glazed units. This though is not costed in the current proposals.

3.6.6 There are currently 222 non-traditional construction properties in the stock. These are mainly concrete panel construction (rather than bricks and mortar). We are required by legislation to keep a close watch on their condition and at five yearly intervals they are subject to formal inspection. At some time in the next 30 years it is possible that significant remedial work or complete demolition and possible rebuild will be necessary.

3.6.7 The condition of the non-traditional properties though at this time is sound and this may continue to be the case and therefore no additional costs have been have been factored in.

3.6.8 Key tenant priorities have not really changed over time and remain as new kitchens, bathrooms and heating systems. The consultation with tenants as part of this plan's preparation has also highlighted some demand for environmental and parking improvements. This is discussed in sections 2 and 6.

3.6.9 The stock condition information does not include the provision of showers. Although this does not come through as a priority in the consultation process the question needs to be asked about how long will this continue to be the case? In the private sector the facility of daily showering in just a few minutes is taken for granted as part of normal everyday life. How long can we expect tenants to have to run a bath which is also more costly in terms of energy and water usage? It is therefore proposed that shower installations be now included as a standard item in bathroom upgrades from April 2012 onwards. This is likely to add a further £4m into the costs of the improvement programme over the period of the plan.

3.7 Garages

3.7.1 The Council owns 52 garage sites. All are in need of some repair. A mixed programme of sale, refurbishment and redevelopment had been worked upon in 2008. The idea was that capital receipts from the sale of some would be used to reinvest in remaining sites. The depression in the construction sector has meant the market for sites has fallen away and that few of our sites are currently likely to attract meaningful capital sale income.

3.7.2 The sites though do represent a considerable portfolio of assets to the HRA and it is proposed to pilot the refurbishment of one site early in the new financing regime and to charge higher garage rents to reflect the investment. If there is demand for the refurbished site and over the long term a commensurate recovery of that investment then the garage investment programme could be extended. The costs of such a pilot refurbishment could be contained in full within the stock condition required investment.

3.8 Budget 2011-12

3.8.1 Based on the resources available to the council up to and including the budget for 2011-12 (i.e. pre the new financing regime), there are insufficient resources to fund the works identified in the stock condition survey for the current five year period (2010-2015). Only half the expenditure needed is available.

3.8.2 Before the development of this plan resources have been committed by the council to fund major repairs and improvement works based on major repairs allowance funding available. For 2011-12 this would give total funding available of £1.94 million compared to the £5.22 million required set out in the stock condition survey.

3.8.3 The shortfall for 2011-12 is compounded in the following years (2012/15) where there are projected further significant shortfalls.

3.8.4 Over the first five years of the plan, the total requirement was assessed as a need to spend £23.4million. The available budgets indicated that only £11.2million would be funded, 48% of the amount required. Some £12.2m of works required to keep the properties in good order would not get funded.

3.8.5 With over 50% of the required works needing to be postponed the council would not be able to continue to meet the decent homes standard.

3.8.6 Some additional monies have been received over the past few years for energy efficiency work including loft insulations and cavity wall fills. Around 700 lofts still need insulating up to current standards although it is anticipated that it will still be possible to significantly fund these works through grants obtained.

3.9 Best value

3.9.1 All works contracts have been tendered since 2008 covering electric and gas, heating, kitchens, bathrooms and external planned maintenance. The electric contract has now reached the end of its three year term but has been extended for a further year.

3.9.2 Work installing digital television has been completed ahead of the switchover in summer 2011.

3.9.3 13% asbestos surveys have been done but there has been very little re-inspecting or removal. The management plan and policy governing the council's approach to dealing with asbestos is under review. However, the data available is constantly being updated as properties are assessed each time improvement works are completed.

3.10 Conclusions

3.10.1 Given the above requirements and funding pressures, reform of the housing revenue account has come at a good time to allow a rethink of what is required and how this will be funded.

Action points

3.1 An investment programme based on additional resources and meeting the stock condition survey requirements to be developed by February 2012.

3.2 A pilot garage site refurbishment project to be undertaken by March 2013.

3.3 Over bath shower installations to part of bathroom upgrades commencing April 2012 and a full stock over bath shower installation programme to be completed by April 2017.

4. Performance

"*Does the plan clearly demonstrate current performance on housing management, repair services and capital programming?"*

4.1 The business plan sets out at Appendix A, current performance information (as at 31 March 2011) for the housing service against the indicators it is responsible for, along with last year's out-turn figures and the latest audited comparison data for benchmarking purposes.

4.2 To enhance performance measurement a Performance Scrutiny Panel of tenants was established in late September 2010. This group now looks at detailed performance information across a range of housing performance measures.

4.3 For committees at the council, 27 housing performance indicators are measured. During 2010/11 the focus shifted to reporting only on indicators where targets were not being achieved.

4.4 From 1 April 2011 the focus is on a new suite of key core indicators that give members and senior officers information as to whether the council's strategic objectives are being achieved.

4.5 However, detailed performance statistics will continue to be reviewed by the Performance Scrutiny Panel and officers in the housing service. In addition, local statistics on housing performance are published on a quarterly basis on the website.

4.6 Within the housing service, statistics on performance and activity are published on notice boards monthly and quarterly with the intention of staff looking at areas in which improvement is needed as well as praising performance that exceeds target. Weekly reports are produced in some specific areas which are more sensitive to change e.g. relet time performance.

4.7 At the highest level, there is a Service Plan that summarises the operational objectives of the service in the coming year, aligned to the corporate plan.

4.8 The focus for service improvement over the past year has principally been led by the development of local offers to comply with the new Tenant Services Authority (TSA) regulatory code.

4.9 Through 2010/11 local offers were developed on:

- Neighbourhood – developed in conjunction with people who had reported anti-social behaviour
- Tenancy – focussed on allocations with people on the waiting list as well as new and prospective tenants consulted through a couple of challenge days

- Home – repairs and improvements reviewed by the Home Standard Panel
- Tenant Involvement and Empowerment – local offers went to the South Derbyshire Tenants' and Resident's Forum and features in the new compact (our joint service/tenant commitment to tenant involvement).

4.10 On an annual basis senior managers and members will review the outcomes and assess overall performance with a view to improving the overall service. Targets are set in line with national trends, but with regard to the local context with the intention constantly of improving performance.

4.11 The South Derbyshire District Council Housing Service is the only business of its kind in the country to be fully accredited to the prestigious Investors in Excellence standard. This is a clear indication of the priority given by the Service to performance, service delivery and customer satisfaction

4.12 In summary as performance on key indicators such as rent income and void property rent loss are good there is only marginal, if any, room for improvement and, thereby, increased income. The one possible exception to that is the collection of former tenant arrears where performance has not been of an upper quartile standard. To that end new debt collection arrangements will be put in place in the first half of 2011.

Action points

4.1 Maintain and improve suite of performance and service standards still further.

4.2 Introduce fundamental change to the former tenant arrears collection process by September 2011.

5 Resources

"*Is there a realistic assessment of current and likely future revenue and capital resources (including the impact of rent restructuring)?"*

5.1 Current position

5.1.1 Up until recently the council had faced significant challenges for the housing service to be adequately financed to allow it to provide the services required by customers.

5.1.2 Although the principal funding mechanism of the service (rent income through the Housing Revenue Account) is ring fenced, for a number of years the service has received minimal capital finance and been the subject of increasing proportions of its income going to the government. The net effect in maintaining improvement programmes and planned maintenance at consistent levels has been to draw heavily on revenue resources.

5.1.3 Without any changes the HRA is only sustainable over the short-term assuming that spending and income patterns are maintained broadly at current levels and allowing for inflation. From 2015/16 the forecasts show an HRA which moves into deficit and which is unable to fund the planned improvement programme; an unsustainable position. The HRA is not legally allowed to 'go broke' but if the current finance regime was being maintained and we carried on spending at current levels that is in effect what would happen.

5.1.4 One of the most significant areas of 'expenditure' within the HRA is the contribution made from HRA resources to Government, known as 'negative subsidy' or 'contribution to the national pot'. Locally, this is estimated at just over £4m for 2011/12 on a projected rent income turnover of over £10.12m i.e. 39.5% of rent income goes to the national pot and does not get utilised for the benefit of South Derbyshire tenants (35% of all spend – the lower % as a result of supplementing income with balances)

5.1.5 Aside from the 35% of spend which goes to the national pot, 19% is spent on running the service, 27% is spent on responsive repairs and 17% is spent on improvements via the major repairs allowance. In total, 44% of all spend relates to direct investment in the stock. For 2011/12 it is estimated that each pound is spent as follows:

Spend area	**2011/12**	**2005/06**
Management	19p	20p
Other expenses	2p	5p
Responsive repairs	27p	28p
Improvements	17p	22p
Negative housing subsidy	35p	25p
Total	**£1.00**	**£1.00**

5.1.6 In terms of costs, the council regularly compares itself against other councils and this benchmark data shows that South Derbyshire is low cost compared to other local authorities and providing a good quality service. This plan also builds in a real terms reduction in management costs of 1% a year for the first five years of the plan.

5.2 **Reform**

5.2.1 The government has now confirmed its reform proposals for the HRA subsidy system which will mean that negative subsidy councils like South Derbyshire will be effectively buying ourselves out of the national system. On 1 April 2012, 'settlement date', the council will take on an amount of debt which has been calculated as the amount which equates to the future negative subsidy payments over 30 years after certain assumptions and allowances have been made.

5.2.2 The calculation of debt for South Derbyshire works out as £54.8million with a new council housing borrowing limit (CHBL) of £64.2million (both figures subject to confirmation early in 2012 although it is not anticipated that they will significantly change). With this new debt, the council will be given the ability to self-finance its housing revenue account in the future and be free from the old national subsidy system. The negative subsidy payments will be replaced by interest payments. The headroom (additional spend) is created in the account by interest rates being largely fixed whereas negative subsidy payments went up year on year.

5.2.3 With the new self-financing regime come financial freedoms in being able to plan over a 30 year period and no longer needing to wait for annual determinations. Alongside this are new risks of managing a large amount of debt (although these can be managed through effective treasury management processes) and not being able to go back to the government for additional funding.

5.2.4 This business plan has been prepared alongside a new financial model looking at the revised financial position under the new self-financing regime from 2012/13 onwards.

5.3 **Initial Financial Plan – the base position**

5.3.1 The new financial plan has been based on the budget for 2011/12 and current spending patterns. Over the 30 year period this has been supplemented with assumptions for the future and the full results of the stock condition survey outlined in section 3 above.

5.3.2 The council's financial policy for the housing revenue account is that as a main indicator there should be a reserve balance of at least £500,000 to act as a contingency. This is in accordance with recommendations by the council's external auditors to reflect the number and condition of the council's homes.

5.3.3 The self-financing proposals mean that rather than the HRA moving into deficit from 2015/16, the HRA can be held in balance for the whole of the 30 year planning period. This demonstrates that, based on current expenditure levels, there are sufficient resources available to the council to maintain the housing service and, if required, consider moving some resources around to meet additional priorities.

5.3.4 The operating account for 2010/11 shows a deficit of £319,000. The income and expenditure on the account is summarised below:

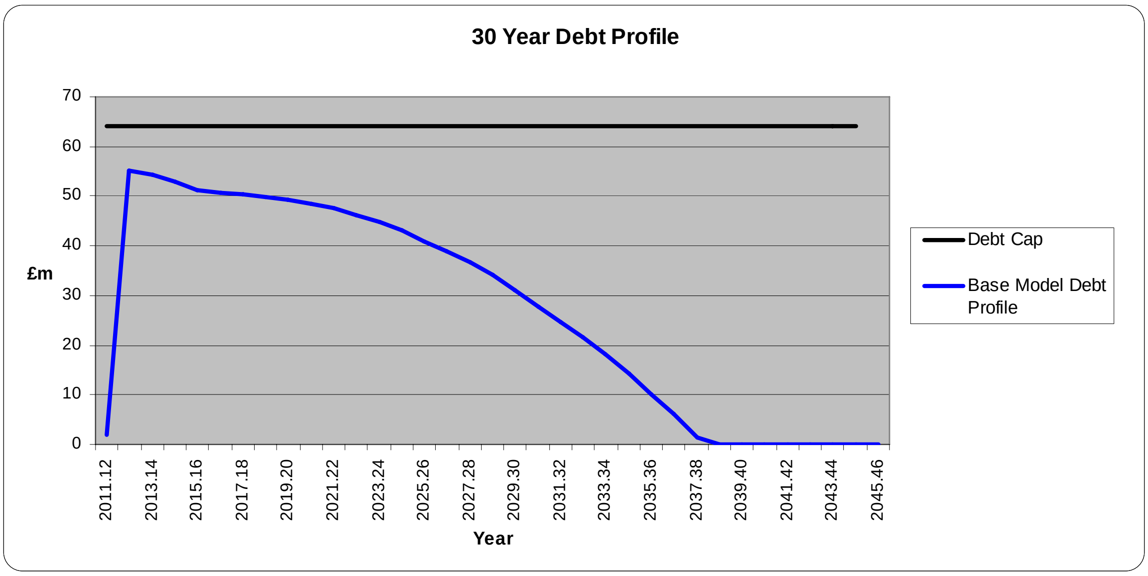
	£'000
Rent from dwellings	9,660
Service charges	128
Non dwellings income	98
Other income	478
Total income	**10,364**
Management	2,312
Maintenance	3,041
Major repairs allowance	1,915
Negative subsidy	3,305
Total expenditure	**10,573**
Operating deficit	209
Interest	110
Overall deficit	319
Opening balance	2,654
Closing balance	**2,335**

5.3.5 The income and expenditure projections for the next ten years can be summarised as follows:

	Income £'000	**Expenditure £'000**	**Surplus / (Deficit) £'000**	**Balance £'000**
2011/12	10,857	11,443	(586)	1,571
2012/13	11,358	12,433	(1,075)	496
2013/14	12,082	12,078	4	501
2014/15	12,388	12,388	-	501
2015/16	12,922	12,922	-	501
2016/17	13,512	13,512	-	501
2017/18	13,883	13,883	-	500
2018/19	14,264	14,264	-	500
2019/20	14,923	14,923	-	500
2020/21	15,059	15,059	-	500

5.3.6 The full 30 year base plan is shown in summary form in appendices B and C with the assumptions used summarised at Appendix F. In Appendix C, the capital improvement programme is based on the expenditure that has been identified as part of the stock condition survey with the initial year shortfalls due to the lack of current funding included over the remainder of the life of the plan.

5.3.7 The base 30 year plan shows that the new £54.8million debt on 1 April 2012 is repayable in year 28, 2038/39 as shown below:



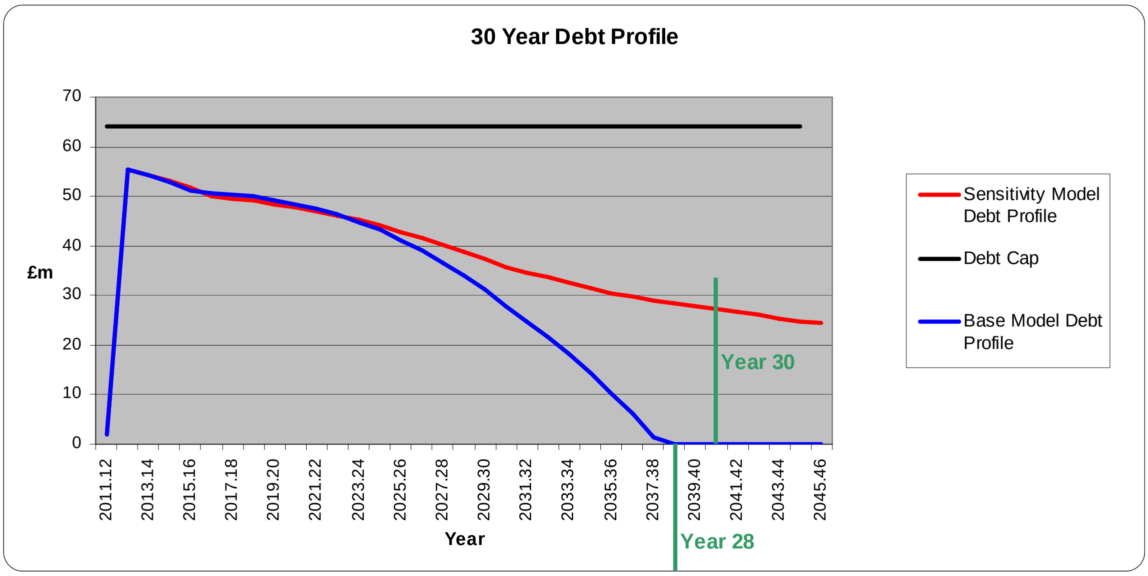
5.3.8 However although this initial financial profile works well in financial terms it does not reflect the fact that the stock condition works are required earlier in the plan than when resources are available. In addition it does not take account of tenant aspirations and the potential provision of new services.

5.3.9 This 'base case' projection, and the subsequent projections in this chapter, all assume that rents will increase in line with national policy. There was unanimity in the working group that this was necessary to adequately fund the service although recognition that this would not be appreciated by all tenants.

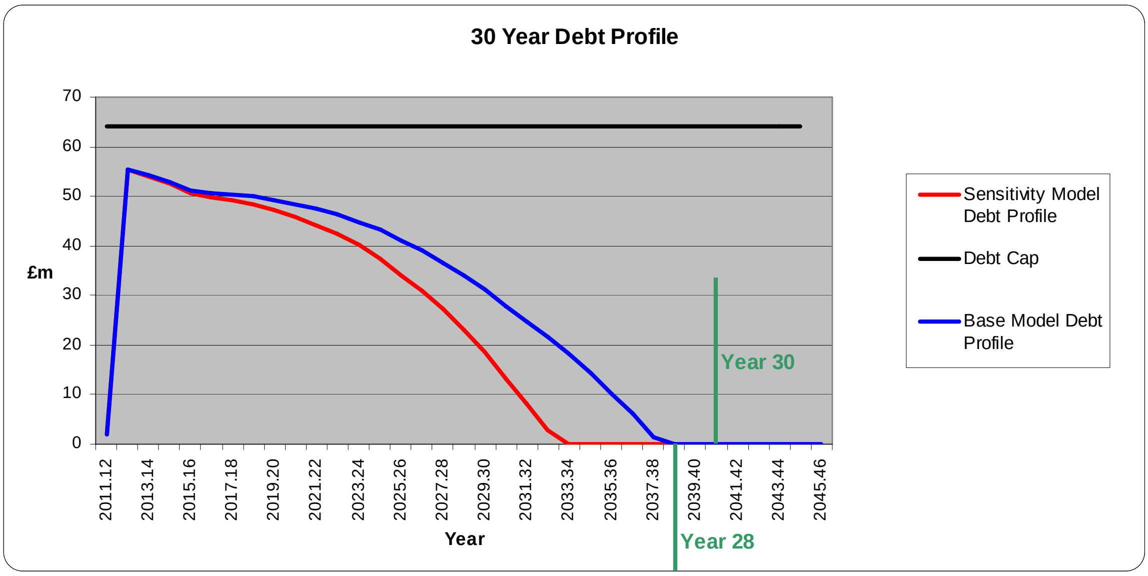
5.4 Sensitivity analysis

5.4.1 Sensitivity analyses have been carried out to test the impact on the projections of varying the assumptions. In the base case the balance on the housing revenue account at the end of 2020/21 is £0.5million and debt is repaid in year 28. The sensitivity tests assess the effect on this balance of varying some of the assumptions.

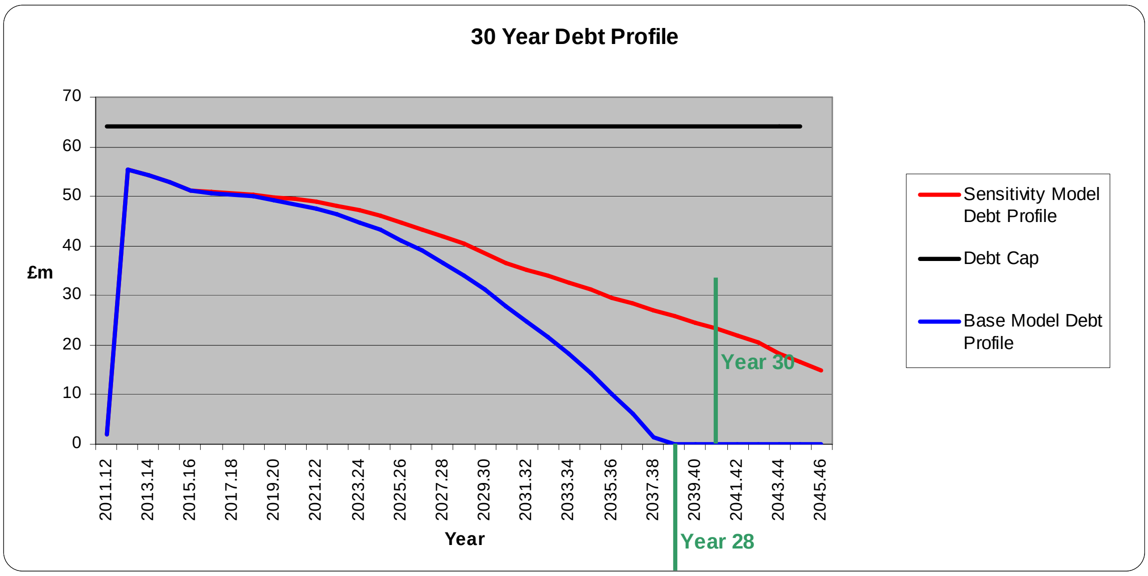
5.4.2 The first sensitivity test was on the assumed level of right to buy sales. If the assumed number of right to buy sales after the base year of 2011/12 is increased from 5 to 20, still less than the kind of number which the council has seen historically, the balance on the HRA is maintained but there is no longer the ability to repay debt within 30 years.



5.4.3 The second sensitivity test was to increase the assumed rate of increase in inflation. Increasing inflation through the plan from 2.5% (base assumption) to 3.5% means that the debt can be repaid in year 23.



5.4.4 The third sensitivity test was an assumption that costs will increase by an additional 1% per annum but without any consequential increase in rental income. Again the balance on the HRA is maintained but the improvement programme is not fully funded and the debt figure cannot be repaid within the 30 years.



5.4.5 Testing of a variety of sensitivities shows that increases in responsive repairs and right-to-buys assumptions are the most sensitive. The plan is relatively sensitive to interest rate changes although with treasury management planning these can be mitigated.

5.4.6 Income is sensitive in the model in relation to inflation assumptions but costs are similarly linked and interest charges will be largely fixed. Therefore overall, upward changes in inflation generally have a positive effect on the financial plan. The overriding concern would be a change in rent policy that depresses rents in the future whilst costs continue to rise.

5.5 Risk Analysis

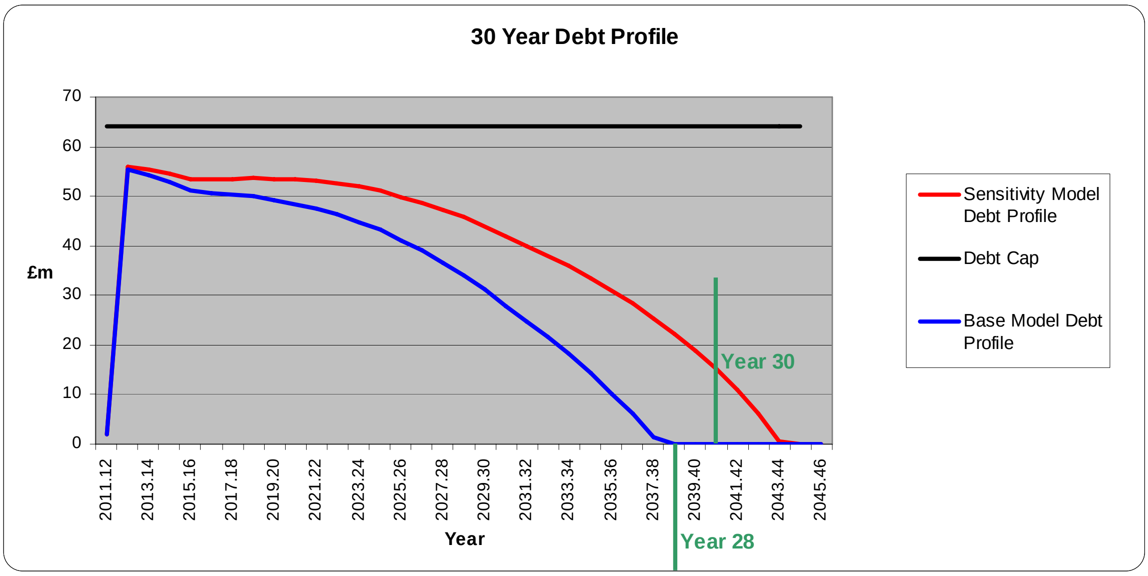
5.5.1 Aligned with the sensitivity analysis the council has identified the main areas of risk involved in running the housing service as set out in Appendix G.

5.5.2 The most significant issue will be managing the new financial position of the service and whilst there are some new risks here, the overall financial position should be vastly improved.

5.5.3 Other areas of risk relate to ensuring that the council continues to comply with legislative changes including maintenance and improvement work such as asbestos legislation, gas servicing and electrical testing.

5.5.4 In relation to the housing services risk register (Appendix G), self financing should reduce the inherent and residual risk of the lack of finance to support service delivery.

5.5.5 The council remains exposed on risks from external funding on ‘Supporting People’. The base financial model was put together assuming nil increase over the life of the plan but there is a risk that funding may be cut rather than just maintained. Taking the extreme scenario of Supporting People funding being withdrawn completely, with the service still being provided in full, gives a financial plan with no additional borrowing requirement but debt not repayable until year 33. However in reality if the funding was withdrawn it would probably mean that the service would be withdrawn as well or substantially remodelled. Therefore costs would not remain the same.



5.5.6 An increase in the level of current arrears has been identified as a low risk area but this may need revision in the light of housing benefit changes in the move to Universal Credit. Whilst the details are not certain, it seems appropriate to consider the possible effect of future problems with arrears and debt recovery. To this end, the bad debt charge has been increased within the financial model from the existing 0.2% assumption to 0.35% which gives a bad debt charge of around £50,000 per annum. This seems more prudent at the current time and can be revised in due course once the effect of the introduction of Universal Credit becomes known.

5.5.7 In the current risk register, the only other high risk area relates to the lack of tenant participation. This risk is unaffected by the reform of the HRA subsidy system and the new financial model but equally, there is no reason why the risk should be of any more concern following the changes given that the tenant participation activities can continue to be funded and that they have worked well through the business plan consultations.

5.5.8 One of the sensitivities carried out was in respect of right-to-buy sales on which the financial model is highly sensitive. The model is also sensitive in relation to the level of capital improvement works and therefore any resource which supports capital is important to the plan.

5.5.9 To this end it is important that where homes are sold under right-to-buy, the 25% of the capital receipt which is retained by the council (75% still going to the government for at least the period of the current Comprehensive Spending Review 2011/15) is used within the HRA to protect it from the loss of net rental income. This will support the debt repayment for the property lost. Without this the remaining properties would be supporting an increasing share of the opening debt which may not be sustainable in the future if the number of right to buys increase significantly above projections.

5.6 Rent and Service Charges

5.6.1 The base financial model has been built on the assumption that rents will converge with target in 2016-17. This is one year behind the government plan but in line with the financial decisions taken by the council to date. Void properties from April 2011 are now relet at full formula rent.

5.6.2 Average rents and indicative increases over the next five years, assuming inflation at 2.5% would be as follows:

	Actual rent	Increase on previous year	Government formula rent	Formula rent increase
2012/13	£67.71	4.94%	£73.13	2.84%
2013/14	£70.99	4.84%	£75.17	2.79%
2014/15	£74.37	4.76%	£77.23	2.74%
2015/16	£77.85	4.68%	£79.32	2.70%
2016/17	£81.70	4.95%	£81.70	3.00%

5.6.3 This shows the strategy necessary to bring rents into line with the government formula. As inflation as at September 2011 will almost certainly be higher than 2.5%, the increases will be higher than in the table above, but the formula rent will increase in a similar manner and therefore the real rate of increase (i.e. above inflation) will still be required.

5.6.4 Such a rent strategy is important to ensure that the financial plan is sustainable into the future. It is also required to maintain the minimum balance of £500,000 in the HRA reserve and as can be seen in the table at 5.3.5, this is only just achieved i.e. if we want to meet the spending commitments of the base financial plan, rents must go up in line with government formula. There is, however, additional funding capacity in the headroom to deal with risks.

5.6.5 At the present time the council has not disaggregated any service charges that relate to costs that only apply to certain properties e.g. flats. Therefore these costs are currently pooled to be paid for by all tenants, whether or not they receive the services. This potentially represents an additional income source into the HRA.

5.6.6 It is true, however, that the service costs in relation to the flats which the council owns are unlikely to be large as it only relates to 17% of the stock. But this should be looked at going forward to properly understand the effect of the potential service charges on rents.

5.6.7 A review of service charges is a two stage process; firstly to assess what could be charged and recovered and secondly to decide whether or not to implement the charges. Carrying out the initial review in the first stage does not necessarily mean moving to stage two if this is considered too difficult or problematic.

5.6.8 Some other costs have been identified in relation to sheltered schemes where communal facilities are being used and/or subsidised as general community assets. These should also be reviewed to decide whether action or change in funding is required going forward to support the HRA.

5.7 **Treasury Management**

5.7.1 With the reform of the HRA subsidy system comes a requirement for the council to take on treasury management functions again and manage a debt of at least £54.8million.

5.7.2 This amount of debt is required by 1 April 2012 to support a payment to the government on that date as part of the reform proposals. For the purposes of the legislation this is called the Settlement Date.

5.7.3 Therefore, during 2011/12 the council needs to be getting itself ready to agree its treasury strategy both for taking on the initial debt and managing this obligation into the future. Within the calculations for assessing the opening debt level there has been recognition that there will be some additional costs to the council of ongoing treasury management functions.

5.7.4 The government are not prescriptive about how the debt should be arranged and therefore the council has options around using Public Works Loan Board (PWLB) debt or market debt be that from a bank or from issuing a bond.

5.7.5 PWLB debt is probably the easiest to arrange but might not have the best interest rate at the present time and might not be as flexible. However borrowing money from a bank or entering into a consortium with others as part of a bond issue to raise money will incur a significant amount of staffing resource and set up costs (legal fees etc) but would be likely to give that additional flexibility and a lower interest rate.

5.7.6 During 2011/12 therefore there is a need for the council to make some funding decisions recognising the need for some future flexibility. With this in mind it might be appropriate to mix fund the initial debt requirement to properly understand the new treasury market alongside the time and resource requirements. In particular, such an approach will allow the bond market for councils in respect of this HRA debt to evolve.

5.7.7 A mix of short-term and long-term debt from PWLB would allow the council the flexibility to explore other options in its own time for a proportion of the debt whilst locking in some of the debt to protect the council from risk. A balanced portfolio of debt and interest is often seen as the best approach to treasury management.

5.7.8 The Chartered Institute of Public Finance and Accountancy (CIPFA) have consulted on the approach to debt management for councils in the HRA and are recommending a two pool approach to debt with funding for the general fund and the HRA held in separate pools. This means that the HRA debt would be clearly identified and the costs, including interest, relating to it would sit openly in the HRA, but also with no effect on the general fund.

5.7.9 The CIPFA consultation in respect of treasury management also consulted on the treatment of depreciation and debt repayment. Depreciation will still be available in the HRA to finance capital expenditure and therefore will be neutral on the HRA account provided the amount calculated does not exceed the need to spend on capital or leaves the HRA account in deficit. From the financial modelling this is unlikely to be the case and whilst there is a risk that depreciation rules might change, depreciation for the council looks like a neutral issue.

5.8 Headroom

5.8.1 At 1 April 2012 the council will have headroom on debt of £9.4million being the difference between the settlement debt of £54.8million and the assessed council housing borrowing limit (CHBL) of £64.2million.

5.8.2 Some of this headroom may well be allocated by the council for risk management purposes in such a way that the council sets itself an internal borrowing limit below the CHBL.

5.8.3 However, the new financial freedoms also gives the council the opportunity to both respond to tenant and council priorities and allocate resources to areas which may have suffered in the last few years due to the high amount of negative subsidy being paid back to the government.

5.8.4 Within the financial model it is clear that the council has the ability to catch up some of the shortfall in improvement expenditure over the past few years against the stock condition survey which is a more efficient use of resource than continually putting pressure on the responsive repairs budgets.

5.8.5 The headroom in the model or a proportion of it at least, gives the financial freedom to the council to adopt a strategy of implementing these plans whilst ensuring that the settlement and any additional debt taken out is repayable within the 30 years.

5.8.6 There are obviously other uses for the headroom including exploring the use of a new-build programme. The model shows that a limited new build programme would be a possible use of the headroom but this would be a small number of units without any grant available which raises issues about both capacity and efficiency.

5.8.7 However, it is for the council to look at the headroom in the light of plans, strategies and assessed priorities alongside its risk register to see what it is seeking to achieve and how best to utilise the new freedoms.

5.9 Conclusion and way forward

5.9.1 Implementing the government's reform proposals results in a major change for the council's HRA with the need to take on £54.8million of debt.

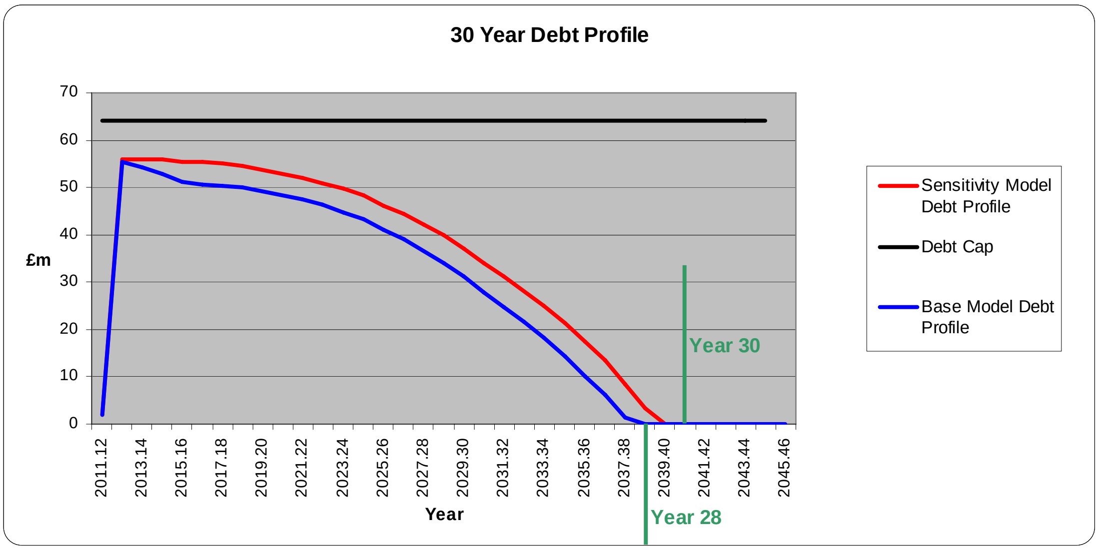
5.9.2 The financial modelling demonstrates that despite this, the HRA managed properly will be sustainable into the future with the capacity for further headroom.

5.9.3 In order to meet some of the shortfall in investment in homes as identified in the stock condition survey and to meet the priorities identified by tenants an additional £5m has been allowed for in the first five years.

5.9.4 At least £1million (£200,000 a year) is proposed for environmental works and parking together with additional resources for showers (£500,000 over five years) and a decorating scheme (£200,000 over five years) to be developed over the next year.

5.9.5 The remaining £3.3million over five years will begin the catch up against the stock condition survey requirements outlined in 3 above.

5.9.6 The resulting plan (detailed figures at Appendices D and E) are sustainable and show a smoothed debt profile which is well within the identified risk parameters with debt repayment in year 28.



5.9.7 Without any further external changes, it is proposed that this is the basis for planning for April 2012 and the basis of the financial strategy for the next five years.

Action points:

5.1 Update the risk register to reflect the new financial regime under a self-financed HRA.

5.2 Seek Committee approval for a robust 5 year rent strategy by February 2012.

5.3 Develop treasury management arrangements by September 2011.

5.4 Brief all councillors on the new HRA self-financing and seek approval for a debt portfolio utilising half of the available borrowing headroom.

5.5 Seek Committee approval for all HRA receipts to be kept in the HRA in the light of government pooling arrangements still being in place

and debt associated with the sold properties still being in the HRA. By February 2012.

5.6 Review the disaggregation of service charges from rents to identify the elements of a potential charge, assess the additional income and consider the issues around implementation.

5.7 Review funding for general community assets at sheltered schemes.

5.8 Seek approval for a mixed funding strategy both short and long term debt

6. Priorities

"*How well is the statement of priority areas for action justified and linked to the analysis of stock condition and supply/demand?"*

6.1 Given that the reform of the HRA subsidy system will allow the council to maintain, should it wish, its current housing service without particular pressures on costs there is the ability within the plan for the council to consider some additional priorities or reallocation of resources.

6.2 In some part, this is due to the fact that on 1 April 2012, as a result of the mechanism agreed by the government for self financing, South Derbyshire will have £9.4million of borrowing headroom between its actual debt position after taking on the settlement debt and the new council housing borrowing limit.

6.3 This headroom points towards the council having the ability to think about the priorities for the future as set out from the tenants' consultation but does not necessarily mean that the council needs to, or should, go out and borrow the full amount on day one.

6.4 Most importantly both the working group and the tenants raised the issue of keeping some of the headroom to cover future risks and dealing with the unexpected and did not want the council to spend money for the sake of it.

6.5 However the headroom does allow the consideration of allocating or reallocating some resources to explore further the priorities assessed by tenants and by meeting on-time the full requirements of the stock condition survey.

6.6 There was unanimity in the working group on utilising approximately half the headroom in the early years of the new regime in order to try to keep pace with property investment requirements and reflect identified tenant priorities. This issue is discussed in detail in the rest of this section.

6.7 **Tenants' priorities**

6.7.1 Following the consultation with tenants and the work of the Tenants' Forum, some further modelling of the financial business plan has been carried out to look at what impact the proposals would have on the base plan.

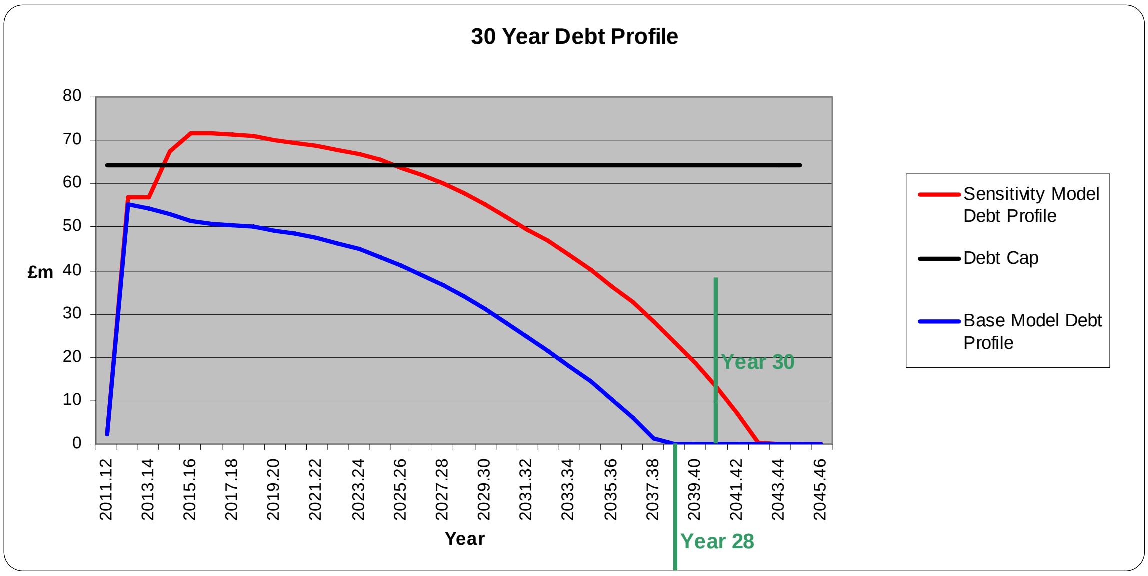
6.7.2 The year one priority items were decorating for pensioners and those who are unable to decorate their homes and investing in work on anti-social behaviour. Additional spend of £50,000 from year one to cover these areas pushes the debt repayment year out by three years to year 28.

6.7.3 Similarly, additional expenditure would be possible on the year three priority items of parking and a tenant's reward scheme with a similar outcome in terms of debt repayment.

6.7.4 More important than the precise figures involved and the timing of additional expenditure on items identified by the tenants is a more fundamental conclusion that self-financing allows some flexibility to have further discussions with tenants and explore some options on spending some additional resource should that be the council's wish.

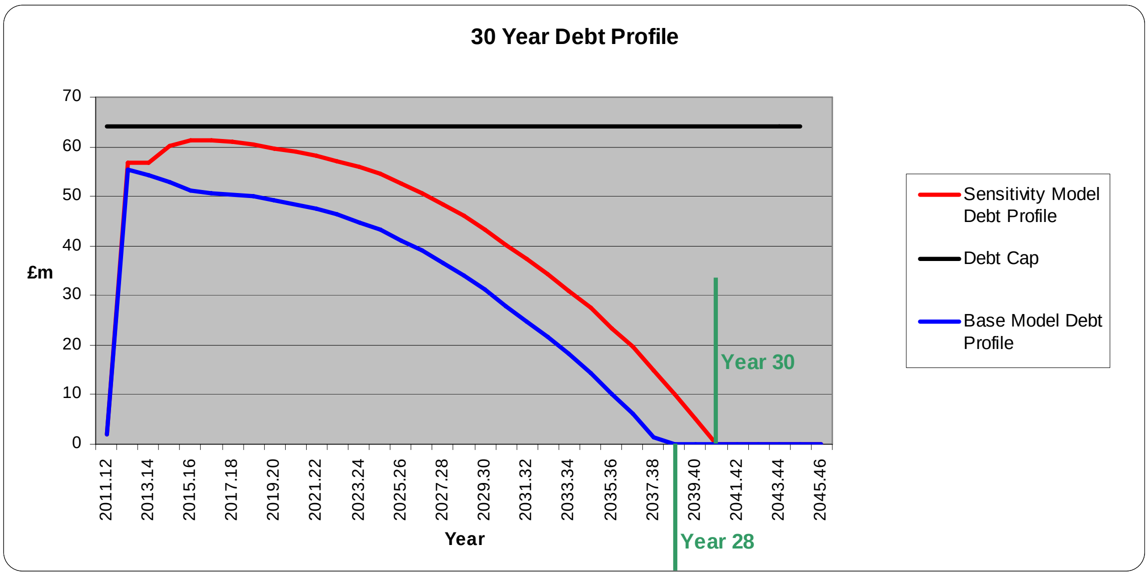
6.7.5 What also came out of the tenant consultation events was a desire to spend some more money on estate improvements, including parking. This is coupled with a general impression from all the discussions and consultations that maintaining the investment in the homes in accordance with the stock condition survey was important.

6.7.6 To this end the financial model was tested to see what capacity there was to catch up the current shortfall in expenditure against the stock condition survey. The scenario explored was to utilise the debt headroom within the HRA after 1 April 2012 to accelerate the improvement programme with a view to having no shortfall on the original stock condition survey by 2015. This means, in effect, increasing potential spend in the four years from 2012/13 from just under £2million per annum to £6.4million per annum.



6.7.7 Such a significant increase would breach the council housing borrowing limit by £7.6million in year 5 (2015/16) taking peak debt to £71.8million and therefore this is not possible.

6.7.8 A more modest increase accelerating 50% of the improvement expenditure below the original plan but reprofiling the remainder over the remaining 25 years would allow expenditure on improvements increased to £4.2million per annum and gives a financial plan with borrowing remaining under the council housing borrowing limit (headroom of £3million remains) and debt repayment in year 30. Obviously, this would require additional borrowing.



6.7.9 Assuming that this latter scenario presents a possible course of action for the council (with the assumption that there is a willingness to take on some additional debt in the early years of self-financing) there is still might be some scope for additional spending on services.

6.7.10 Over and above the £4.2million on improvements for four years from 2012/13, service expenditure could be increased by £47,000 per annum with debt peaking in year 5 at £61.5million (headroom of £2.7million) and debt repaid in year 30.

6.7.11 The year one priority items were decorating for pensioners and those who are unable to decorate their homes and investing in work on anti-social behaviour. These are estimated to cost around £50,000 which means that such proposals can be properly considered as service enhancements.

Action points

6.1 Develop proposals for a decorating scheme aimed primarily at the vulnerable by September 2012.

6.2 Develop a 10-15 year programme of environmental and estate parking improvements commencing April 2013.

7. Other options and considerations

"*To what extent does the Plan demonstrate proactive consideration of alternative ways of addressing priority areas for action?"*

7.1 Retained / Outsourced / ALMO

7.1.1 The Council completed Housing Stock Options Appraisals in 2005 and 2009 and following consultation with tenants and other stakeholders, decided to opt for the retention of council housing rather than promote transfer of the stock into the housing association sector. The main driver for any change in management arrangements were the financial incentives involved that would have released more resources for investment in the stock.

7.1.2 The Arms Length Management Organisation (ALMO) option (e.g. Derby Homes) was primarily a mechanism favoured by the last government for levering in additional capital resources to meet their national housing standard (Decent Homes). This funding stream has now ceased and therefore there is little momentum in the housing sector for creating new ALMOs. Indeed several Councils have announced in the last 6 months their intention to bring their ALMOs back in-house.

7.1.3 The new national HRA funding regime alongside the removal of ALMO capital funding, essentially removes any financial driver for a change in management arrangements in the short and medium term.

7.2 Corporate Financial Policies

7.2.1 While the HRA is ring-fenced under the provisions of the Local Government & Housing Act 1989, the corporate financial policies of the Council will continue to have some effect on the financing of the housing capital improvement programme.

7.2.2 Under the reform arrangements it has been confirmed that the HRA ring-fence will remain in place.

7.2.3 To date the council has been a debt free authority and despite the introduction of Capital Receipts Pooling has so far remained so. The council has not used any 'prudential borrowing' to support investment in the council housing stock.

7.3 **Right-to-Buy receipts**

7.3.1 The 25% of right to buy capital receipts that is allowable for spending has not traditionally been used in the housing revenue account. Even the amount spent on public sector housing disabled adaptations is funded from the HRA/MRA rather than capital receipts.

7.3.2 Corporately RTB receipts have to date primarily been used in the General Fund. However if such a practice continued under the new self-funding regime we run the risk of properties being sold and the debt associated with those properties still being paid in the HRA. The working group consider that to be an unsustainable position. RTB receipts have to remain in the Housing account if self-funding is to work for the benefit of tenants.

Appendix A – Performance Indicators and Targets

Description	10/11 result	Bench-marked quartile	11/12 Target	12/13 Target
% of repairs reported as emergencies	10.92%		<12%	12%
% of emergency repairs completed on time	99.74%	2nd	99%	99%
% of urgent repairs completed on time	99.60%	Upper	98%	98%
% of routine repairs completed on time	98.62%	2nd	97%	97%
Tenant satisfaction	97.00%	Upper	95%	95%
Time taken (days) to re-let empty properties	16.17	Upper	18	18
Satisfaction with moving in to your new home	95%		95%	95%
Rent collected as a proportion of rents owed	99.65%	Upper	99%	99%
% of tenants owing 7 or more weeks rent	1.90%		2.40%	2.40%
Rent Arrears of current tenants	£112,877	Upper	107,233	101,650
Rent Arrears of former tenants	£119,249		125,000	125,000
% of former tenant arrears collected	14.43%		15%	15%
Tenant satisfaction with improvement schemes	96.80%		95%	95%
Longest outstanding gas safety certificate (days)	0		15	15
% of gas appliances with a gas safety certificate	100%	Upper	100%	100%
SAP Energy efficiency rating	69.57	2nd	70	70
Tenant satisfaction with Annual Gas service	96%		95	95
Tenant satisfaction with day to day gas repairs	87%		95	95
Tenant satisfaction with electrical maintenance	98%		95	95
The average length of stay (weeks) of households in bed & breakfast accommodation	2.42	2nd	1.25	1.25
Number of households in temporary accommodation at 31st March	4		7	7

Description	10/11 result	Bench-marked quartile	11/12 Target	12/13 Target
% of people seeking homelessness prevention advice who have had resolution to threat of homelessness for a period of at least 6 months	42%		50	50
Average length of time to make a homeless decision (Working Days)	29		33	33
Number of days to enter completed application forms			10	10
% of calls to careline answered within 30 seconds	95%		98%	98%
% of telecare installations completed within 21 working days of receiving notification	94%		95%	95%
Number of affordable homes delivered	77		150	TBC
Telephone calls answered within 10 seconds	N/A		95	95
Correspondence answered within 10 working days	92.23		95	95

Appendix B

Base model Revenue Projections

HOUSING REVENUE ACCOUNT PROJECTIONS
South Derbyshire District Council

Year	2011.12	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
INCOME:															
Rental Income	10,233	10,730	11,451	11,751	12,280	12,866	13,230	13,605	14,259	14,385	14,792	15,211	15,641	16,083	16,856
Void Losses	(87)	(91)	(97)	(100)	(104)	(109)	(112)	(116)	(121)	(122)	(126)	(129)	(133)	(137)	(143)
Supported Housing Income	199	204	209	214	219	225	230	236	242	248	254	261	267	274	281
Non-Dwelling Income	99	102	104	107	109	112	115	118	121	124	127	130	133	137	140
Grants & Other Income	413	414	415	416	418	419	420	421	422	424	425	426	428	429	430
Subsidy	(4,016)	(4,247)	(4,531)	(4,670)	(4,904)	(5,183)	(5,346)	(5,514)	(5,686)	(5,863)	(6,046)	(6,234)	(6,427)	(6,626)	(6,831)
Total Income	**6,841**	**7,111**	**7,551**	**7,718**	**8,018**	**8,329**	**8,537**	**8,750**	**9,236**	**9,195**	**9,427**	**9,665**	**9,909**	**10,160**	**10,733**
EXPENDITURE:															
General Management	(1,181)	(1,187)	(1,216)	(1,234)	(1,253)	(1,284)	(1,315)	(1,348)	(1,381)	(1,415)	(1,450)	(1,486)	(1,522)	(1,560)	(1,598)
Special Management	(1,034)	(1,039)	(1,065)	(1,081)	(1,098)	(1,114)	(1,131)	(1,148)	(1,165)	(1,182)	(1,200)	(1,218)	(1,237)	(1,255)	(1,274)
Other Management	(261)	(263)	(270)	(330)	(334)	(338)	(342)	(346)	(351)	(355)	(355)	(355)	(355)	(355)	(355)
Rent Rebates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debt Provision	(20)	(20)	(29)	(35)	(43)	(45)	(46)	(48)	(50)	(50)	(52)	(53)	(55)	(56)	(59)
Responsive & Cyclical Repairs	(3,044)	(3,112)	(3,190)	(3,296)	(3,406)	(3,519)	(3,636)	(3,757)	(3,882)	(4,012)	(4,145)	(4,283)	(4,426)	(4,573)	(4,725)
Total Revenue Expenditure	**(5,539)**	**(5,621)**	**(5,770)**	**(5,977)**	**(6,133)**	**(6,300)**	**(6,471)**	**(6,647)**	**(6,829)**	**(7,015)**	**(7,202)**	**(7,395)**	**(7,594)**	**(7,799)**	**(8,011)**
Interest Paid & Administration	(56)	(57)	(68)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(90)	(90)	(90)	(90)	(90)
Interest Received	19	10	28	19	-	-	-	-	-	-	-	-	-	-	-
Depreciation	(1,924)	(1,974)	(2,027)	(2,081)	(2,135)	(2,190)	(2,246)	(2,304)	(2,364)	(2,425)	(2,487)	(2,552)	(2,617)	(2,685)	(2,754)
Net Operating Income	**(660)**	**(532)**	**(286)**	**(411)**	**(339)**	**(250)**	**(270)**	**(290)**	**(46)**	**(334)**	**(353)**	**(372)**	**(393)**	**(414)**	**(122)**
ANNUAL CASHFLOW	**(660)**	**(532)**	**(286)**	**(411)**	**(339)**	**(250)**	**(270)**	**(290)**	**(46)**	**(334)**	**(353)**	**(372)**	**(393)**	**(414)**	**(122)**
Opening Balance	2,157	1,498	966	680	270	(70)	(320)	(590)	(880)	(926)	(1,260)	(1,612)	(1,984)	(2,377)	(2,791)
Closing Balance	**1,498**	**966**	**680**	**270**	**(70)**	**(320)**	**(590)**	**(880)**	**(926)**	**(1,260)**	**(1,612)**	**(1,984)**	**(2,377)**	**(2,791)**	**(2,914)**

Appendix B (cont'd)

Base model Revenue Projections

HOUSING REVENUE ACCOUNT PROJECTIONS
South Derbyshire District Council

Year	2026.27 16 £000	2027.28 17 £000	2028.29 18 £000	2029.30 19 £000	2030.31 20 £000	2031.32 21 £000	2032.33 22 £000	2033.34 23 £000	2034.35 24 £000	2035.36 25 £000	2036.37 26 £000	2037.38 27 £000	2038.39 28 £000	2039.40 29 £000	2040.41 30 £000
INCOME:															
Rental Income	17,006	17,486	17,981	18,489	19,012	19,925	20,101	20,669	21,253	21,853	22,471	23,549	23,758	24,428	25,118
Void Losses	(145)	(149)	(153)	(157)	(162)	(169)	(171)	(176)	(181)	(186)	(191)	(200)	(202)	(208)	(214)
Supported Housing Income	288	295	302	310	317	325	333	342	350	359	368	377	387	396	406
Non-Dwelling Income	143	147	151	155	158	162	166	171	175	179	184	188	193	198	203
Grants & Other Income	432	433	435	437	438	440	442	443	445	447	449	451	453	455	457
Subsidy	(7,041)	(7,258)	(7,481)	(7,710)	(7,947)	(8,190)	(8,440)	(8,697)	(8,962)	(9,234)	(9,514)	(9,803)	(10,099)	(10,405)	(10,719)
Total Income	**10,683**	**10,955**	**11,235**	**11,522**	**11,817**	**12,493**	**12,432**	**12,752**	**13,081**	**13,419**	**13,766**	**14,563**	**14,489**	**14,865**	**15,252**
EXPENDITURE:															
General Management	(1,638)	(1,678)	(1,720)	(1,762)	(1,805)	(1,850)	(1,896)	(1,943)	(1,991)	(2,040)	(2,090)	(2,142)	(2,195)	(2,249)	(2,305)
Special Management	(1,293)	(1,312)	(1,332)	(1,352)	(1,372)	(1,393)	(1,414)	(1,435)	(1,457)	(1,478)	(1,501)	(1,523)	(1,546)	(1,569)	(1,593)
Other Management	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)
Rent Rebates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debt Provision	(60)	(61)	(63)	(65)	(67)	(70)	(70)	(72)	(74)	(76)	(79)	(82)	(83)	(85)	(88)
Responsive & Cyclical Repairs	(4,882)	(5,045)	(5,212)	(5,386)	(5,565)	(5,750)	(5,941)	(6,139)	(6,343)	(6,553)	(6,771)	(6,996)	(7,229)	(7,469)	(7,717)
Total Revenue Expenditure	**(8,228)**	**(8,451)**	**(8,682)**	**(8,920)**	**(9,164)**	**(9,418)**	**(9,676)**	**(9,944)**	**(10,219)**	**(10,503)**	**(10,796)**	**(11,099)**	**(11,408)**	**(11,728)**	**(12,058)**
Interest Paid & Administration	(90)	(91)	(91)	(91)	(91)	(91)	(92)	(92)	(92)	(92)	(93)	(93)	(93)	(94)	(94)
Interest Received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	(2,825)	(2,898)	(2,973)	(3,049)	(3,128)	(3,208)	(3,291)	(3,376)	(3,463)	(3,552)	(3,643)	(3,737)	(3,834)	(3,932)	(4,033)
Net Operating Income	**(460)**	**(485)**	**(511)**	**(538)**	**(566)**	**(224)**	**(627)**	**(659)**	**(693)**	**(729)**	**(766)**	**(366)**	**(846)**	**(889)**	**(933)**
ANNUAL CASHFLOW	**(460)**	**(485)**	**(511)**	**(538)**	**(566)**	**(224)**	**(627)**	**(659)**	**(693)**	**(729)**	**(766)**	**(366)**	**(846)**	**(889)**	**(933)**
Opening Balance	(2,914)	(3,374)	(3,859)	(4,369)	(4,907)	(5,473)	(5,697)	(6,324)	(6,983)	(7,676)	(8,404)	(9,170)	(9,536)	(10,382)	(11,271)
Closing Balance	**(3,374)**	**(3,859)**	**(4,369)**	**(4,907)**	**(5,473)**	**(5,697)**	**(6,324)**	**(6,983)**	**(7,676)**	**(8,404)**	**(9,170)**	**(9,536)**	**(10,382)**	**(11,271)**	**(12,204)**

Appendix C

Base model Capital Projections

HOUSING CAPITAL PROJECTIONS
South Derbyshire District Council

Year	2011.12	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
EXPENDITURE:															
Planned Variable Expenditure	(1,741)	(1,804)	(1,867)	(1,932)	(1,999)	(4,031)	(4,125)	(4,221)	(4,319)	(4,420)	(4,368)	(4,470)	(4,574)	(4,680)	(4,789)
Planned Fixed Expenditure	(200)	(205)	(210)	(215)	(221)	-	-	-	-	-	-	-	-	-	-
Disabled Adaptations	(194)	(199)	(204)	(209)	(214)	(219)	(225)	(231)	(236)	(242)	(248)	(255)	(261)	(267)	(274)
Other Capital Expenditure	-	(60)	(60)	-	-	-	-	-	-	-	-	-	-	-	-
Previous Year's Overall Shortfall	-	-	-	-	-	-	(2,003)	(4,208)	(6,514)	(8,923)	(11,440)	(13,908)	(16,482)	(19,167)	(21,965)
Total Capital Expenditure	**(2,135)**	**(2,268)**	**(2,341)**	**(2,357)**	**(2,434)**	**(4,250)**	**(6,352)**	**(8,660)**	**(11,070)**	**(13,585)**	**(16,056)**	**(18,632)**	**(21,317)**	**(24,114)**	**(27,028)**
FUNDING:															
Major Repairs Reserve	1,835	1,968	2,041	2,057	2,134	2,296	2,246	2,304	2,364	2,425	2,487	2,552	2,617	2,685	2,754
Other Receipts	300	300	300	300	300	-	-	-	-	-	-	-	-	-	-
Total Capital Funding	**2,135**	**2,268**	**2,341**	**2,357**	**2,434**	**2,296**	**2,246**	**2,304**	**2,364**	**2,425**	**2,487**	**2,552**	**2,617**	**2,685**	**2,754**
In Year Net Cashflow	**-**	**-**	**-**	**-**	**-**	**(1,954)**	**(4,106)**	**(6,355)**	**(8,706)**	**(11,161)**	**(13,568)**	**(16,080)**	**(18,699)**	**(21,429)**	**(24,274)**
Cumulative Position	**-**	**-**	**-**	**-**	**-**	**(1,954)**	**(4,106)**	**(6,355)**	**(8,706)**	**(11,161)**	**(13,568)**	**(16,080)**	**(18,699)**	**(21,429)**	**(24,274)**

HOUSING CAPITAL PROJECTIONS
South Derbyshire District Council

Year	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
EXPENDITURE:															
Planned Variable Expenditure	(5,005)	(5,121)	(5,240)	(5,362)	(5,487)	(6,435)	(6,585)	(6,738)	(6,895)	(7,055)	(7,820)	(8,002)	(8,188)	(8,378)	(8,573)
Planned Fixed Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disabled Adaptations	(281)	(288)	(295)	(303)	(310)	(318)	(326)	(334)	(342)	(351)	(360)	(369)	(378)	(387)	(397)
Other Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Previous Year's Overall Shortfall	(24,881)	(28,025)	(31,300)	(34,709)	(38,258)	(41,951)	(46,633)	(51,509)	(56,586)	(61,869)	(67,366)	(73,700)	(80,292)	(87,150)	(94,283)
Total Capital Expenditure	**(30,167)**	**(33,434)**	**(36,835)**	**(40,374)**	**(44,055)**	**(48,704)**	**(53,544)**	**(58,581)**	**(63,823)**	**(69,275)**	**(75,546)**	**(82,071)**	**(88,858)**	**(95,915)**	**(103,253)**
FUNDING:															
Major Repairs Reserve	2,825	2,898	2,973	3,049	3,128	3,208	3,291	3,376	3,463	3,552	3,643	3,737	3,834	3,932	4,033
Other Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Funding	**2,825**	**2,898**	**2,973**	**3,049**	**3,128**	**3,208**	**3,291**	**3,376**	**3,463**	**3,552**	**3,643**	**3,737**	**3,834**	**3,932**	**4,033**
In Year Net Cashflow	**(27,342)**	**(30,536)**	**(33,863)**	**(37,325)**	**(40,928)**	**(45,496)**	**(50,253)**	**(55,205)**	**(60,360)**	**(65,723)**	**(71,903)**	**(78,333)**	**(85,024)**	**(91,983)**	**(99,219)**
Cumulative Position	**(27,342)**	**(30,536)**	**(33,863)**	**(37,325)**	**(40,928)**	**(45,496)**	**(50,253)**	**(55,205)**	**(60,360)**	**(65,723)**	**(71,903)**	**(78,333)**	**(85,024)**	**(91,983)**	**(99,219)**

Appendix D

Proposed Revenue Projections

HOUSING REVENUE ACCOUNT
South Derbyshire District Council

Year	2011.12	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
INCOME:															
Rental Income	10,233	10,730	11,451	11,751	12,280	12,866	13,230	13,605	14,259	14,385	14,792	15,211	15,641	16,083	16,856
Void Losses	(87)	(91)	(97)	(100)	(104)	(109)	(112)	(116)	(121)	(122)	(126)	(129)	(133)	(137)	(143)
Supported Housing Income	199	204	209	214	219	225	230	236	242	248	254	261	267	274	281
Non-Dwelling Income	99	102	104	107	109	112	115	118	121	124	127	130	133	137	140
Grants & Other Income	413	414	415	416	418	419	420	421	422	424	425	426	428	429	430
Subsidy	(3,943)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income	**6,914**	**11,358**	**12,082**	**12,388**	**12,922**	**13,512**	**13,883**	**14,264**	**14,923**	**15,059**	**15,473**	**15,898**	**16,336**	**16,786**	**17,564**
EXPENDITURE:															
General Management	(1,181)	(1,209)	(1,239)	(1,258)	(1,277)	(1,308)	(1,340)	(1,373)	(1,407)	(1,442)	(1,477)	(1,514)	(1,551)	(1,589)	(1,629)
Special Management	(1,034)	(1,039)	(1,065)	(1,081)	(1,098)	(1,114)	(1,131)	(1,148)	(1,165)	(1,182)	(1,200)	(1,218)	(1,237)	(1,255)	(1,274)
Other Management	(261)	(263)	(270)	(330)	(334)	(338)	(342)	(346)	(351)	(355)	(355)	(355)	(355)	(355)	(355)
Rent Rebates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debt Provision	(20)	(20)	(29)	(35)	(43)	(45)	(46)	(48)	(50)	(50)	(52)	(53)	(55)	(56)	(59)
Responsive & Cyclical Repairs	(3,044)	(3,120)	(3,198)	(3,296)	(3,406)	(3,519)	(3,636)	(3,757)	(3,882)	(4,012)	(4,145)	(4,283)	(4,426)	(4,573)	(4,725)
Total Revenue Expenditure	**(5,539)**	**(5,652)**	**(5,801)**	**(6,000)**	**(6,157)**	**(6,324)**	**(6,496)**	**(6,673)**	**(6,855)**	**(7,042)**	**(7,230)**	**(7,424)**	**(7,623)**	**(7,829)**	**(8,042)**
Interest Paid & Administration	(56)	(4,119)	(3,277)	(3,352)	(3,632)	(3,363)	(3,473)	(3,585)	(3,967)	(3,820)	(3,910)	(4,040)	(4,174)	(4,312)	(4,768)
Interest Received	19	9	17	20	23	23	23	23	23	23	23	23	23	23	23
Depreciation	(1,924)	(1,970)	(2,018)	(2,067)	(2,115)	(2,164)	(2,214)	(2,266)	(2,319)	(2,373)	(2,428)	(2,485)	(2,543)	(2,602)	(2,663)
Net Operating Income	**(586)**	**(373)**	**1,003**	**988**	**1,041**	**1,684**	**1,723**	**1,764**	**1,805**	**1,847**	**1,928**	**1,973**	**2,019**	**2,066**	**2,115**
APPROPRIATIONS:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Contribution to Capital	-	(702)	(999)	(989)	(1,041)	(1,684)	(1,723)	(1,763)	(1,805)	(1,847)	(1,928)	(1,973)	(2,019)	(2,066)	(2,115)
Total Appropriations	**-**	**(702)**	**(999)**	**(989)**	**(1,041)**	**(1,684)**	**(1,723)**	**(1,763)**	**(1,805)**	**(1,847)**	**(1,928)**	**(1,973)**	**(2,019)**	**(2,066)**	**(2,115)**
ANNUAL CASHFLOW	**(586)**	**(1,075)**	**4**	**(0)**	**0**	**0**	**(0)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Opening Balance	2,157	1,571	496	500	500	500	500	500	500	500	500	500	500	500	501
Closing Balance	**1,571**	**496**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**501**	**501**

Appendix D (cont'd)

Proposed Revenue Projections

HOUSING REVENUE ACCOUNT
South Derbyshire District Council

Year	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
INCOME:															
Rental Income	17,006	17,486	17,981	18,489	19,012	19,925	20,101	20,669	21,253	21,853	22,471	23,549	23,758	24,428	25,118
Void Losses	(145)	(149)	(153)	(157)	(162)	(169)	(171)	(176)	(181)	(186)	(191)	(200)	(202)	(208)	(214)
Supported Housing Income	288	295	302	310	317	325	333	342	350	359	368	377	387	396	406
Non-Dwelling Income	143	147	151	155	158	162	166	171	175	179	184	188	193	198	203
Grants & Other Income	432	433	435	437	438	440	442	443	445	447	449	451	453	455	457
Subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income	**17,724**	**18,213**	**18,716**	**19,233**	**19,764**	**20,683**	**20,872**	**21,449**	**22,043**	**22,653**	**23,280**	**24,366**	**24,588**	**25,270**	**25,970**
EXPENDITURE:															
General Management	(1,669)	(1,710)	(1,752)	(1,795)	(1,840)	(1,885)	(1,932)	(1,979)	(2,028)	(2,079)	(2,130)	(2,183)	(2,237)	(2,292)	(2,349)
Special Management	(1,293)	(1,312)	(1,332)	(1,352)	(1,372)	(1,393)	(1,414)	(1,435)	(1,457)	(1,478)	(1,501)	(1,523)	(1,546)	(1,569)	(1,593)
Other Management	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)	(355)
Rent Rebates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debt Provision	(60)	(61)	(63)	(65)	(67)	(70)	(70)	(72)	(74)	(76)	(79)	(82)	(83)	(85)	(88)
Responsive & Cyclical Repairs	(4,882)	(5,045)	(5,212)	(5,386)	(5,565)	(5,750)	(5,941)	(6,139)	(6,343)	(6,553)	(6,771)	(6,996)	(7,229)	(7,469)	(7,717)
Total Revenue Expenditure	**(8,259)**	**(8,483)**	**(8,715)**	**(8,953)**	**(9,199)**	**(9,453)**	**(9,712)**	**(9,981)**	**(10,257)**	**(10,542)**	**(10,836)**	**(11,140)**	**(11,450)**	**(11,771)**	**(12,101)**
Interest Paid & Administration	(4,490)	(4,638)	(4,789)	(4,946)	(5,107)	(4,816)	(4,596)	(4,751)	(4,911)	(5,075)	(5,087)	(5,697)	(5,434)	(3,359)	(20)
Interest Received	23	23	23	23	23	23	23	23	23	23	23	23	23	77	270
Depreciation	(2,725)	(2,788)	(2,853)	(2,919)	(2,987)	(3,057)	(3,128)	(3,201)	(3,275)	(3,351)	(3,429)	(3,509)	(3,591)	(3,674)	(3,759)
Net Operating Income	**2,274**	**2,328**	**2,382**	**2,438**	**2,495**	**3,381**	**3,459**	**3,540**	**3,623**	**3,707**	**3,952**	**4,044**	**4,138**	**6,543**	**10,359**
APPROPRIATIONS:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Contribution to Capital	(2,274)	(2,328)	(2,382)	(2,438)	(2,494)	(3,380)	(3,459)	(3,540)	(3,623)	(3,707)	(3,951)	(4,043)	(4,138)	(4,234)	(4,333)
Total Appropriations	**(2,274)**	**(2,328)**	**(2,382)**	**(2,438)**	**(2,494)**	**(3,380)**	**(3,459)**	**(3,540)**	**(3,623)**	**(3,707)**	**(3,951)**	**(4,043)**	**(4,138)**	**(4,234)**	**(4,333)**
ANNUAL CASHFLOW	**0**	**0**	**0**	**0**	**0**	**1**	**(1)**	**0**	**0**	**0**	**0**	**0**	**0**	**2,309**	**6,027**
Opening Balance	501	501	501	501	502	502	502	502	502	502	503	503	503	504	2,813
Closing Balance	**501**	**501**	**501**	**502**	**502**	**502**	**502**	**502**	**502**	**503**	**503**	**503**	**504**	**2,813**	**8,839**

Appendix E

Proposed Capital Projections

HOUSING CAPITAL
South Derbyshire District Council

Year	2011.12	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
EXPENDITURE:															
Planned Variable Expenditure	(1,741)	(2,664)	(2,957)	(3,048)	(3,141)	(3,751)	(3,839)	(3,928)	(4,020)	(4,113)	(4,247)	(4,346)	(4,447)	(4,551)	(4,656)
Planned Fixed Expenditure	(200)	(205)	(210)	(215)	(221)	-	-	-	-	-	-	-	-	-	-
Disabled Adaptations	(194)	(199)	(204)	(209)	(214)	(219)	(225)	(231)	(236)	(242)	(248)	(255)	(261)	(267)	(274)
Other Capital Expenditure	-	(60)	(60)	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	**(2,135)**	**(3,128)**	**(3,431)**	**(3,472)**	**(3,576)**	**(3,971)**	**(4,064)**	**(4,159)**	**(4,256)**	**(4,356)**	**(4,495)**	**(4,600)**	**(4,708)**	**(4,818)**	**(4,931)**
FUNDING:															
Major Repairs Reserve	1,835	2,058	2,018	2,067	2,115	2,164	2,214	2,266	2,319	2,373	2,428	2,485	2,543	2,602	2,663
Right to Buy Receipts	-	67	114	117	120	123	126	129	132	136	139	143	146	150	154
Other Receipts	300	300	300	300	300	-	-	-	-	-	-	-	-	-	-
Revenue Contributions	-	702	999	989	1,041	1,684	1,723	1,763	1,805	1,847	1,928	1,973	2,019	2,066	2,115
Total Capital Funding	**2,135**	**3,128**	**3,431**	**3,472**	**3,576**	**3,971**	**4,064**	**4,159**	**4,256**	**4,356**	**4,495**	**4,600**	**4,708**	**4,818**	**4,931**
In Year Net Cashflow	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative Shortfall	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

HOUSING CAPITAL
South Derbyshire District Council

Year	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
EXPENDITURE:															
Planned Variable Expenditure	(4,875)	(4,989)	(5,105)	(5,224)	(5,345)	(6,297)	(6,444)	(6,594)	(6,747)	(6,904)	(7,222)	(7,390)	(7,562)	(7,738)	(7,918)
Planned Fixed Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disabled Adaptations	(281)	(288)	(295)	(303)	(310)	(318)	(326)	(334)	(342)	(351)	(360)	(369)	(378)	(387)	(397)
Other Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	**(5,156)**	**(5,277)**	**(5,400)**	**(5,526)**	**(5,655)**	**(6,615)**	**(6,770)**	**(6,928)**	**(7,089)**	**(7,255)**	**(7,582)**	**(7,759)**	**(7,940)**	**(8,125)**	**(8,315)**
FUNDING:															
Major Repairs Reserve	2,725	2,788	2,853	2,919	2,987	3,057	3,128	3,201	3,275	3,351	3,429	3,509	3,591	3,674	3,759
Right to Buy Receipts	157	161	165	170	174	178	183	187	192	197	201	207	212	217	222
Other Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Contributions	2,274	2,328	2,382	2,438	2,494	3,380	3,459	3,540	3,623	3,707	3,951	4,043	4,138	4,234	4,333
Total Capital Funding	**5,156**	**5,277**	**5,400**	**5,526**	**5,655**	**6,615**	**6,770**	**6,928**	**7,089**	**7,255**	**7,582**	**7,759**	**7,940**	**8,125**	**8,315**
In Year Net Cashflow	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative Shortfall	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix F

Assumptions made in preparing the Housing Revenue Account Business Plan model

1. Global Inputs
   - Inflation rate 2.5% (government recommendation)
   - Consolidated rate of interest 1.2% rising to 3.5% by 2014/15

2. Stock and Rent
   - Tenanted stock 3,051
   - Average rent £64.52 a week
   - Real annual rent increase 2.44% 2012/13, 2.34% 2013/14, 2.26% 2014/15, 2.18% 2015/16 to catch up with target rents
   - Voids 0.85%

3. Other Income
   - Garage and shop rents £99,081 in 2011/12

4. Miscellaneous Income
   - Supporting People Grant £371,696 in 2011/12 with no increase linked to inflation
   - Charges for services £26,000 in 2011/12
   - Recharges £15,600 in 2011/12

5. Right to Buy Sales
   - in 2011/12, 3 in 2012/13 and 5 thereafter
   - Usable proportion of right to buy receipt 25% (reflects government policy)

6. Other Stock Changes
   - No other stock changes are modelled.

7. Housing Revenue Account Subsidy
   - Subsidy for 2011/12 based on final determination
   - No subsidy calculations required beyond 2011/12

8. Management and Service Costs
   - General management costs are set at £1,120,790 in 2011/12. They are assumed to decrease in real terms by 1% a year for the first five years of the plan.
   - Sheltered and other service costs are set at £1,034,296 in 2011/12. They are assumed to decrease in real terms by 1% a year for the first five years of the plan.

9. Responsive and Cyclical Maintenance
   - Responsive, void and cyclical repairs are set at £998 a unit in 2011/12
   - It is assumed that the cost of responsive and void repairs will increase by 1% a year in real terms from 2014/15
   - £100,000 per annum has been included for disabled adaptations work

10. Improvements

- Improvement expenditure has been included in the model in line with the stock condition survey at £36,368 per unit over 30 years

11. Housing Revenue Account Working Balance

- The Housing Revenue Account Working Balance is set at £500,000

Appendix G – Risk Register

Head of Service:	**Bob Ledger**	**Responsible Member:**	**Cllr John Lemmon**	**Date:01/04/2011**	**Date of Next Review:**	**01/04/2012**
Risk Reference	**Description**	**Inherent Risk Score**	**Residual Risk Score**	**Action Planned**	**By Whom**	**When**
HS1	Lack of finance to support service delivery e.g. income falls as a result of change in rent policy or increased right to buys (RTBs)	Medium	Low	New HRA Business Plan review projects sustainable income and expenditure over next 30 years. RTB income proposed to remain in the HRA.	Head of Housing & Environmental Services	Committee consideration June 2011
HS2	Tendering of Supporting People services in South Derbyshire and loss or change in services	High	Low	Maintain relations with Derbyshire County Council and respond to tendering process in given timescales	Housing Operations Manager	June 2011 – April 2012
HS3	Loss of Homelessness Grant	Low	Low	Confirmation grant is to be received for 2011/12. Continue to lobby County Council colleagues to maintain the grant in future years.	Housing Operations Manager	Ongoing
HS4	Relocation of depot operations	Medium	Low	Ensure appropriate planning and scheduling of transformation.	Repairs & Improvement Manager	April 2012
HS5	Safety of tenants where properties have a mains gas supply	Medium	Low	Continue to follow procedures and regular performance monitoring of contractor.	Repairs & Improvement Manager	Ongoing

Risk Reference	Description	Inherent Risk Score	Residual Risk Score	Action Planned	By Whom	When
HS6	Increase in the level of current tenant rent arrears	Medium	Low	Performance management and adherence to collection procedure. Proposed “Universal credit” system does not prioritise rent payment. Allowance for increased bad debt in this plan.	Housing Operations Manager/ Performance & Business Manager	Ongoing
HS7	Accidents to customers, property and staff	Low	Low	Adherence to Health and Safety procedures. Completion and review of risk assessments.	Senior Housing Management Team	Ongoing
HS8	Lack of tenant participation in service activities to increase involvement and empowerment opportunities and to meet TSA regulatory framework	High	Medium	Adherence to structured programme of involvement.	Performance & Business Manager	March 2011
HS9	Loss of funding from CBL partners	Low	Low	Continue to work with CBL partners and ensure adherence to Service Level Agreement	Housing Operations Manager	Ongoing

Appendix H

Summary of action points

1.1 Complete and implement the Supported Housing Review in full by 1st December 2011.

1.2 Seek Committee approval to complete the Sheltered Housing Vision in 2011/12.

2.1 Consult tenants upon and develop proposals for a decorating scheme for tenants who are unable to carry out such work due to age and/or disability. Develop proposals by April 2012.

2.2 Consult tenants upon a possible tenant reward scheme by April 2012.

3.1 An investment programme based on additional resources and meeting the stock condition survey requirements to be developed by February 2012.

3.2 A pilot garage site refurbishment project to be undertaken by March 2013.

3.3 Over bath shower installations to be part of bathroom upgrades commencing April 2012 and a full stock over bath shower installation programme to be completed by April 2017.

4.1 Maintain and improve suite of performance and service standards still further.

4.2 Introduce fundamental change to the former tenant arrears collection process by September 2011.

5.1 Update the risk register to reflect the new financial regime under a self-financed HRA.

5.2 Seek Committee approval for a robust 5 year rent strategy by February 2012.

5.3 Develop treasury management arrangements by September 2011.

5.4 Brief all councillors on the new HRA self-financing and seek approval for a debt portfolio utilising half of the available borrowing headroom.

5.5 Seek Committee approval for all HRA receipts to be kept in the HRA in the light of government pooling arrangements still being in place and debt associated with the sold properties still being in the HRA. By February 2012.

5.6 Review the disaggregation of service charges from rents to identify the elements of a potential charge, assess the additional income and consider the issues around implementation.

5.7 Review funding for general community assets at sheltered schemes.

5.8 Seek approval for a mixed funding strategy both short and long term debt

6.1 Develop proposals for a decorating scheme aimed primarily at the vulnerable by September 2012.

6.2 Develop a 10-15 year programme of environmental and estate parking improvements commencing April 2013.