South Derbyshire District Council

Housing Revenue Account Business Plan

Draft

13th November 2014

Contents

Equal opportunities

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Introduction
by the Chairman of Housing and Community Services Committee

It is my pleasure to introduce this ambitious but entirely affordable and pragmatic plan. It is only 2 years since we last updated the plan and 3 years since the last full rewrite. However, following the introduction of the new self-financing regime in 2012 we are now much more in control of our own financial destiny and there is a need to keep the plan fresh and up to date.

The process of bringing this plan together was an enjoyable one and a true partnership. Our working group comprised equal numbers of tenants and councillors supported by officers.

We have utilised the information from previous wider tenant consultation events to discuss our services and future priorities. Although we've made a start on a number of initiatives deriving from the previous plan several need to be more embedded before seeking tenant views on their success and additional priorities.

A key aspiration of the both the Council and its tenants is that we do all we can to help alleviate the excess demand for affordable housing. Our waiting list, which has just been reviewed to only include those in current need of alternative housing, stands at over 1,000 families. Our aspiration is to utilise whatever resources we can to build, or facilitate others to build, to meet that demand and alleviate the unsatisfactory living conditions of those on the waiting list.

We are currently half way through our previously agreed £27m five year investment into the current housing stock. This work is progressing well and is well received by tenants. We are proud of the quality of the housing we are now providing.

This new plan is therefore primarily focussed in what resources can be freed up for new build. The challenge is that our Housing Revenue Account resources are tight in the next few years. Our financial capacity to help with the provision of large numbers of new build is 10 or more years away but our demand for additional housing is here today.

We continue to be well placed in housing management terms in that our services are good, low cost and well regarded by tenants i.e. we're not having to promise big improvements before we can start concentrating on new build.

The working group produced the draft plan in October 2014 and it was approved by the Housing and Community Services Committee in November 2014. The final approved document is the one you see here.

Councillor Jim Hewlett
November 2014

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
- After the above priorities have been achieved, identify all possible resources for new build activity

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. Most importantly, the plan is consistent with our housing strategy.

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

Director 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 including new build activity. 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 stock investment programme agreed in 2012 is progressing well and should complete on schedule in 2017. Those elemental investments (new kitchens, heating systems, etc.) have been embedded into our stock information/condition system. We need to ensure that the focus on price and quality is maintained in the remainder of the programme.

- We will utilise all of the borrowing headroom still remaining in the next 3 years to undertake our second phase of new build

- We will utilise all Right to Buy (RTB) receipts for the purpose of adding to the supply of affordable housing.

- We will explore in greater detail the options for additional new build Housing beyond the current Housing Revenue Account (HRA) debt ceiling both inside and outside of the HRA.

- We will continue to support our tenants in meeting the challenges of the Welfare reform agenda through focussing the Tenancy Services team on early intervention and assistance

- We will complete delivery of our previous commitments to implement environmental/parking improvements and to introduce a decorating scheme for the elderly and vulnerable.

- The income and expenditure profile used within the plan is based upon rents generally rising in line with the government's formula of Consumer Prices Index (CPI) rate plus 1%. This new formula (from April 2015) replaces a previous national formula utilised for the preceding 12 years where social housing rents were meant to converge irrespective of the provider. Although that policy has now been abandoned by government it did indicate the Council was significantly undercharging for the quality of the product being provided. Therefore in addition to annual rent rises of CPI plus 1% the working group are recommending that the Council should continue to increase its void property rents to the previous formula rent (based on the 'convergence' with Registered Providers principle). The group are also proposing that Affordable rents (80% of market rents and higher than social rents) be charged on the new build stock as a way of generating additional income to help toward the provision of additional housing.

- The previous HRA Business Plan included for the pilot refurbishment of a garage site given that we needed to develop a strategy of dealing with our 52 garage sites many of which are in a poor condition. This has been successfully completed and the full strategy for improving all sites is now being developed. In the next phase, in 2015, five sites will utilise the pilot specification and be improved.

- 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 the overall housing strategy. 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 the challenge through new additional new build affordable housing to the increasing demand for accommodation.

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 With the introduction of the self-financing regime in April 2012 the HRA is on a sound financial footing and there is the opportunity to continue to improve the condition of the existing stock and add to it to meet the excess demand over supply i.e. build additional homes to improve the housing conditions of local people.

1.6 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.

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

1.8 **Local demand and management**

1.8.1 South Derbyshire District Council has 3,009 homes (April 2014) throughout the district, 1,012 (34%) of which are designated as supported accommodation. Included in the stock are 222 homes of non-traditional construction.

1.8.2 There is high demand for rented housing in all areas with no low demand properties. Some supported 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).

1.8.3 An option appraisal process previously led to some supported units being sold and redeveloped and others being declassified (redesignated as general purpose stock). It also saw the remodelling of properties to reduce the number of bedsits of which only eight now remain.

1.8.4 Overall there is high demand for accommodation with over 1,000 applicants on the council's waiting list – this is real demand given that the list was comprehensively reviewed in the summer of 2014. However, to meet these demands there are only 220 properties relet a year, of which a significant percentage are transfers (current tenant moving to a different property). In addition there are only around 60 housing association lets a year (excluding new developments) against a local Housing Association stock of 870.

1.8.5 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. The removal of the underoccupation benefit subsidy (or introduction of the 'bedroom tax') in April 2013 has seen some reduction in demand for 2 bedroom flats in the general needs stock.

1.8.6 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.

1.8.7 Rent levels are low compared to other social housing providers in the district. The outgoing national formula and convergence rent policy (2014/15 is the last year of operation) indicates that we should be generating significantly more income from rents.

Organisation	2013/14 – Average Rent £
South Derbyshire	**74.70**
Trident HA	83.56
East Midlands HA	83.84
Metropolitan	95.15
Derwent HA	91.73

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

1.8.9 To date income into the HRA has largely been driven by national rent policy and the Council in all of the last twelve years, except one, has followed the government proposed rent increase. The reason for this was that the nature of the previous national housing finance system is that it could financially penalise an authority which didn't comply with that national guidance.

1.8.10 Until the current year and in the preceding 12 years national rent policy under both 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 was never a suggestion that social rents should be the same as market rents. The other main principle of the national policy was 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.

1.8.11 As can be seen from the table at 1.8.7 our rents are significantly lower than those of RPs 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 – the process known as rent convergence.

1.8.12 However the process of convergence under national policy is abandoned from 2015/16. Councils are free to set rents at their own levels although there is a national guide of CPI plus 1%.

1.8.13 60% of all tenants are in receipt of housing benefit and over 30% of all tenants are on full housing benefit. Housing benefit is reimbursed to the Council in full by national government as long as the social rents it charges are within the 'limit rent' calculation utilised in the reimbursement of housing benefit. In 2014/15 the Council's average rent is £79.23 and the Council's limit rent assessment is £79.58. Therefore although there is some opportunity to increase rents by a further average amount of 25p per week to maximise rental income without having a detrimental effect on housing benefit income it is only a relatively marginal facility. If the Council continues to let its void properties in line with the previous full formula rent this will, by default, move the Council closer to the limit rent level overall i.e. there is limited marginal gain in moving all social rent properties now or at any fixed point in the future to the limit rent level.

1.8.14 In addition there is something of a contradiction in the national rent guidance and policy. As a way of increasing revenue resources available to help finance new build the current government's policy has been to encourage social housing providers to convert their existing social rents to a higher rent level at upto 80% of market rent – known as 'affordable rents'. Such rents are not subject to the limit rent calculation. Many social housing providers and particularly RPs therefore have designated all new build properties as affordable rent properties and when existing social rent properties become available for reletting they have done so at affordable rent levels. In essence therefore the contradiction is that to increase rents marginally above social rent levels will mean the Council could fall foul of the limit rent process but being bolder and converting some properties to affordable rent levels means it wouldn't – under current policy.

1.8.15 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.

1.8.16 A snapshot of the condition of the housing stock as at 2009 reported 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 indicated the scale of work required to improve the stock and this was a key part of the 2012 Business Plan. This led to the development of a £27m 5 year investment in the current stock which, in October 2014, we are just over half way through implementation.

1.9 Wider Strategic context

1.9.1 In the housing strategy four objectives are set out:

- Increase the supply of affordable housing
- Supporting people to live independently (whether that be because of infirmity, physical or mental impairment)
- Deliver a service tenants want and make sure this is value for money
- Improving the quality of the existing housing stock

1.9.2 The Housing Strategy 2015-2020 at the time of writing is currently being drafted. The associated primary and secondary research undertaken in the 2012-2013 period indicates significant under provision of affordable housing in the District. For example some 1,723 affordable homes are assessed as being needed for the period 2012 to 2017. Within this there is also an increasing need for more specialised supported housing.

1.9.3 With the downturn in the economy and constraints on public funding only 140 new affordable homes were actually completed during the 2-year period 2012/13 and 2013/14 leaving a shortfall of 1,583 affordable homes. All current properties are therefore in demand and all social/affordable housing providers need to work together to maximise the number of additional properties coming forward.

1.9.4 Until 2014 the role of the Council in new build had been solely in facilitating others to develop and this function must continue given the excess of demand over supply. However the advent of self-funding has enabled the Council to make a start on a new build and acquisition programme of its own for the first time in a generation. 45 homes are being built across four sites on a mixture of HRA and General Fund land and 5 properties are being acquired on the open market. The cost of the 50 home first phase project is upto £5.37m financed by a combination of HRA reserves, Right to Buy (RTB) receipts and additional borrowing

1.9.5 As at November 2014 contractors had been appointed for 3 of the 4 sites.

1.9.6 The economic recession of 2010-2013 led to a 63% cut in new build social housing grant available from the Homes and Communities agency i.e. providers are expected to deliver new build with more of their own money.

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

1.9.8 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 is particularly important in the light of the bedroom tax and the additional welfare reforms being proposed by the current government.

1.9.9 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 and in the first year of self-financing (2012/13) the previous waiting list for works was eliminated.

1.9.10 There is now (from April 2012) a Government requirement for each local authority to establish a rent strategy for its 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 i.e. affordable rents. The operation of local rent strategies in practice over the last two years appears to have little or no actual impact particularly for a Council such as South Derbyshire where we don't have any RPs with their base local to the District i.e. RPs in the shire District arrangement operate over many such Districts and set their rent polices across the whole of their stock.

1.9.11 For the purposes of this plan and our own stock it is proposed to let all new build properties at affordable rents and to continue the policy of the last three years of moving existing social rent properties upto the previous formula level when they become available for reletting.

1.10 Supported Housing Services and County Council support funding

1.10.1 During 2010/11 the Housing Service undertook a wholesale review of its Supported Housing Services. This rationalised 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.

1.10.2 The review also meant costs were reduced and the number of Careline coordinators (previously known as mobile wardens) reduced by 3 but County Council funding to support those in receipt of welfare benefits also reduced in line with the new pricing structure.

1.10.3 One of the drivers, although not the main one, for the review was a shortfall in income to expenditure and the previous HRA Business Plan anticipated that the review would significantly close although not eliminate that gap.

1.10.4 In 2011 the County Council subjected their funding of the Careline coordinator activity (i.e. visiting service) to external competition and the District Council retained the service in the face of such external challenge. A change in the apportionment of the District Council's Central Establishment Charges (CECs) from April 2014 though widened the gap again between costs and income.

1.10.5 The County Council also funds the majority of service users connected to the Community alarm monitoring service (Careline). The County Council wanted originally to tender such services in the same way they did for the visiting aspect of the supported housing service. However the three District and Borough Councils which retained their control rooms (ourselves, Bolsover and Chesterfield) proposed an alternative partnership arrangement in order to retain the service in Derbyshire given that the likely exposure to external competition would see the service being delivered external to the County. At the time of writing (November 2014) a partnership arrangement had been formally agreed by all parties and is likely to be in place by April 2016.

1.10.6 In a strict business sense if services are not breaking even then should we be providing them? However these are highly valued services by our customers and the current strategy of the Council is to close the finance gap as much as possible and continue to deliver subject to the competitive process.

1.10.7 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 vision and standards were completed in 2011/12 i.e. they took 9 years to complete. The cost was around £1.2m and through a period of severe funding challenges the work was financed only when other assets could be rationalised i.e. sold on the open market or transferred to another provider at a negotiated rate.

1.11 **Objectives**

1.11.1 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 ten years gives a sense of real pride to members, staff and customers.

1.11.2 Our performance across all the main Key Performance Indicators (KPIs) matches the very best in the country. We were the only District Housing Service in the country fully accredited to the former Investors in Excellence standard and we are currently working towards submission to the replacement 'Recognised for Excellence' standard. Having worked hard to get to this point, maintenance of those standards and the associated performance is a key issue for us.

1.11.3 Most focus over the past few years in terms of expenditure has been the condition of the properties themselves with the objective of maintaining and improving upon the government's Decent Homes standard. We have also delivered significant improvements to the energy efficiency of our homes with the intention of reducing fuel poverty wherever possible. In this way all but a handful of properties are insulated to the latest standards and in 2014 £300,000 of grant funding was secured towards a total programme value of £1m externally insulating 88 solid wall and 'hard to reach cavity' homes across the District.

1.11.4 We have now also started work on environmental improvements with the pilot garage site refurbishment work complete and further parking improvement and garage site works about to start in 2015.

1.11.5 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 Let all new build and acquired properties at Affordable rent levels from January 2015

1.2 Let all social rent properties at their 'formula rent' as and when they each become available for reletting.

1.3 Increase the rent annually of all 'ongoing' tenanted properties at the new national guidance level of CPI + 1%.

1.4 Complete and implement the Careline partnership arrangement by 1st April 2016.

1.5 Undertake a disaggregation project relating to service charges for communal facilities.

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 The 2011/12 business plan had been the subject of wide consultation with tenants and other stakeholders as well as a properly 'joined-up' decision making 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 A number of the priorities identified in the previous plan have been implemented, others are progressing and others remain to be implemented. Given this latter position the HRA Business Plan working group took the view that there was no additional need for further wider consultation at this point. The man focus of the new plan was to deliver the previously identified priorities in full and to identify the resources available for a proposed Phase 2 New Build and Acquisition programme.

2.3 The consultation on this 2014 plan therefore has taken place in the form of:

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

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

2.4 The aim of the previous wider consultation events was to seek tenant views on the services they receive and what they should look like in the future. Four specific questions were asked:

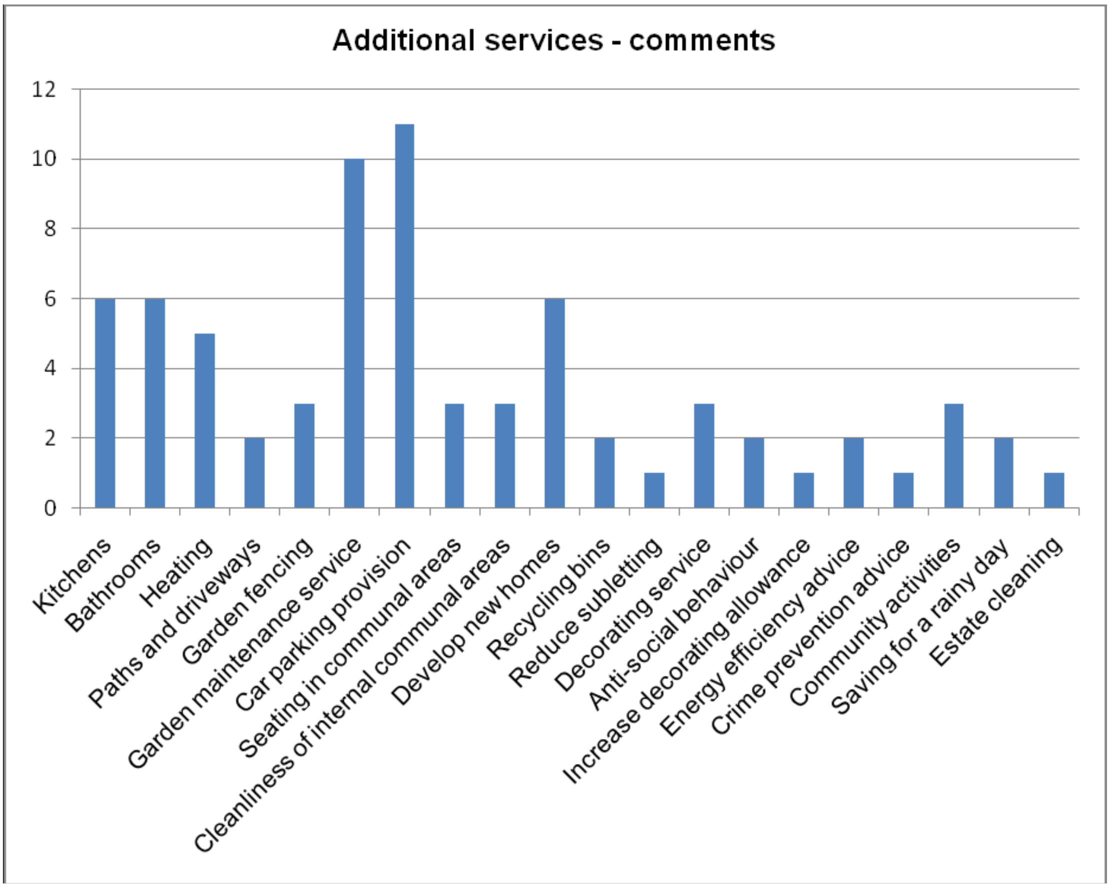
- Are there any service areas you feel South Derbyshire District Council should spend more money on?
- Are there any housing services which you feel South Derbyshire District Council should be spending less money on?
- Are there any additional services which you feel Housing Services should provide?
- 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 District Council. 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 kitchen replacements

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 were 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 gave 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 three previous 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 Although tenants had recommended dealing with anti-social behaviour (ASB) as an issue the Housing Service had just completed a review and overhaul of its ASB procedures (March 2011). These hadn't had time to 'bed in' by the time of the previous 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 Director 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".

2.11 By November 2014 the following had been achieved:

- Kitchen, bathroom and heating replacements and insulation measures have been significantly increased in number in the five year £27m stock investment programme commenced in 2012.

- Cleaning and maintenance schedules to communal areas have been reviewed, service levels revised and improved. Significant upgrades to flat block communal areas have been completed at Brightman House and started at Holmes Court, Swadlincote.

- A first phase new build and acquisition programme had been agreed and commenced.

- Monies have been set aside for a programme of external and environmental works to improve parking and the aesthetic appearance of the estates and their environs. A start on external improvements works has been made with the completion of the pilot garage site refurbishment scheme at Chatsworth Road, Newhall and with construction drawings commissioned for parking improvements at various sites.

- Anti-social behaviour policies and procedures have been reviewed, changed and implemented.

2.12 The remaining priorities for the period 2015 – 2017 are therefore :

- Self-funding decorating scheme for pensioners and those who are unable to decorate their homes

- Self-funding gardening scheme for pensioners and those who are unable to maintain their own gardens

- Continuation of garage site, parking and environmental improvements

- Phase 2 of the New Build and Acquisition programme.

2.13 Although the previous tenant forum identified a tenant reward scheme as a 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. However rather than dismiss the proposal the issue was revisited with the full tenant Panel in November 2014 and they accepted that such a reward scheme would not be an immediate priority for the Council.

Action points

2.1 Complete the five year stock investment programme by April 2017.

2.2 Consult tenants upon and develop proposals for a decorating and gardening scheme for tenants who are unable to carry out such work due to age and/or disability. Develop proposals by October 2015.

2.3 Deliver in full by April 1st 2017 the programme of garage site, parking and environmental improvements.

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 All property improvements carried out so far as part of the £27m five year plan have entered into the database to keep the property information up to date.

3.3 The Housing Services Asset Management plan was refreshed in 2010 and again in 2014 to reflect the latest stock condition information.

3.4 Stock condition survey

3.4.1 The 2009 survey assessed what the council would need to spend overall in the next 30 years to maintain its homes.

3.4.2 The total cost of this work was assessed as being £108.5m (an average of £3.6m a year). This cost included the necessary catch up repairs identified, cyclical and future major works as well as additional improvements.

3.4.3 Since the time of the survey, the information has been updated on an on-going basis following works carried out in the intervening years to ensure the information remains reasonably valid. However sector good practice indicates that stock condition surveys are carried out every five years. In South Derbyshire's case it is agreed that the next stock condition survey should be undertaken at the completion of the five year investment programme i.e. in early 2017. Although stock condition can be updated in an on-going manner by in-house staff this presents two issues. First, there is no 'snapshot' in time of the stock condition i.e. information input for example 3 years ago may have changed and secondly the surveyor personnel may change over time and use marginally different criteria i.e. there could be inconsistency in assessment criteria.

3.4.4 A summary of the figures from the 2009 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**

3.4.5 The repairs categories above can be summarised as follows:

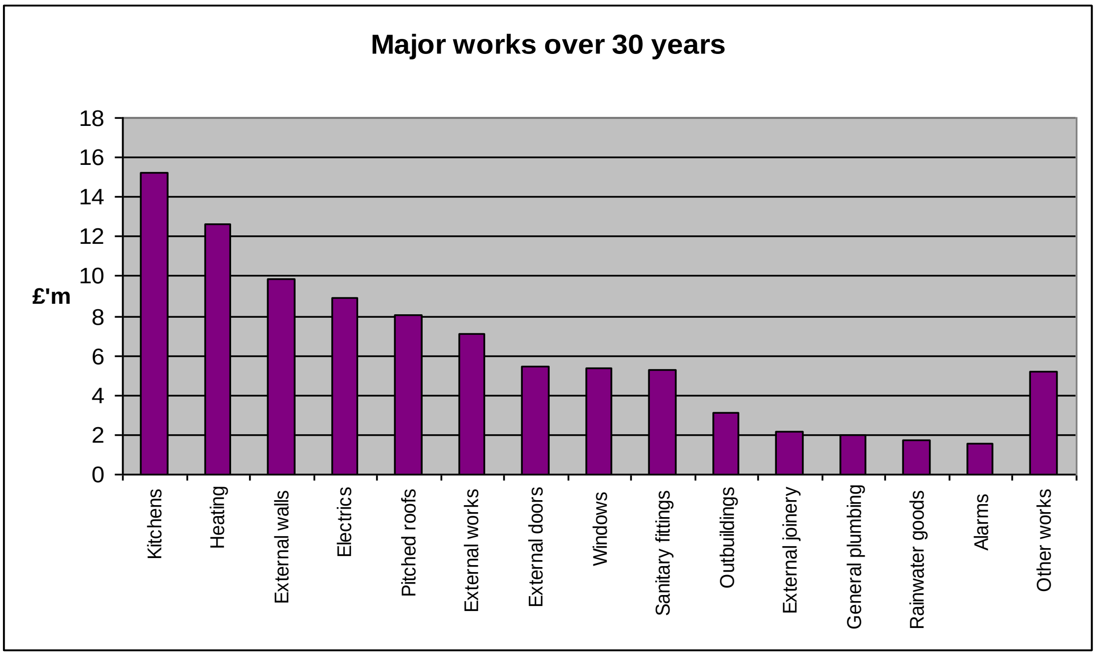
- **Catch-up repairs** are the backlog of repairs needed to make good observable defects in a dwelling. These are usually works which ought to have been done in the past under cyclical or responsive repairs or where planned maintenance has not been carried out
- **Major works** are replacements or major 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.

3.4.6 The figures from the survey are at 2009 prices and do not include allowances for any inflation after July 2009. Prices have not been formally uplifted to a 2011 (the date of the last plan) or a 2013 base as external advice and in-house tendering experience had been that contract rates had not increased significantly in this period. Although this will not be the case in late 2014 most of the work in the 5 year programme had been tendered by the end of 2013.

3.5 Work required

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

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



3.5.3 The stock condition survey identified that there may be additional areas where work needs to be done including water services, drainage, drives and pathways.

3.5.4 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.

3.5.5 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. The latest full inspection of their condition (September 2014) indicates £650,000 of remedial works needed over the next five years and this expenditure has now been built into the base budget. However within the next 6 months a full option appraisal needs to be undertaken before the expenditure is finally committed e.g. would complete demolition and rebuild be more cost effective in the long run?

3.5.6 Key tenant priorities have not really changed over time and remain as new kitchens, bathrooms and heating systems. The consultation with tenants highlighted some demand for environmental and parking improvements. This is discussed in sections 2 and 6.

3.5.7 The stock condition information does not include the provision of showers. However the previous HRA Business plan included for them and their installation in all properties is progressing through the £27m five year investment programme. They represent part of our commitment to offer modern accommodation that matches tenant expectations.

3.6 Garages

3.6.1 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 economic recession in the construction sector had meant the market for sites had fallen away upto the start of 2014. Although construction activity is now picking up our experience of the first new build phase is that developers will charge a premium for undertaking small scale schemes of 2, 3 or 4 units. More work needs to be done on the options for the saleable sites to make sure that we achieve value for money.

3.6.2 The sites though do represent a considerable portfolio of assets to the HRA and the pilot refurbishment of one site and charging higher garage rents to reflect the investment has proved successful. Work is now underway from the existing budgetary provision to improve a further five sites.

3.7 Budget 2015-17

3.7.1 The key variables are already accounted for in the base budget: i.e.

- most of the £27m current stock investment is already tendered and under contract. The projection, now included in the base budget, is that the out-turn will be around £25m

- the phase 1 new build and acquisition project for 50 properties should come in under the £5.37m already profiled

- The additional new build ‘turnkey’ project delivering a further 20 properties will come in at £2m and any risk associated with that costing lies with the developer.

3.8 Best value

3.8.1 Since April 2012 all works contracts have been tendered i.e. covering electric and gas heating maintenance and installation, kitchens and bathroom replacements, rewires, shower installations and external planned maintenance.

3.8.2 Therefore, by the time the construction sector started to meaningfully recover in early 2014 all of our main work was already under contract i.e. favourable prices were obtained.

3.8.3 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.

3.9 Conclusions

3.9.1 The HRA is in a healthy position, stock improvements works are progressing well and a start on new build has been made.

Action points

3.1 Continue to deliver the investment programme in the current stock and complete all works on schedule by March 2017.

3.2 Undertake the next phase of the garage site improvement programme with a further five sites to be refurbished in 2015/16 calendar year.

3.3 Undertake the first phase of parking improvement in 2015/16

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 31st March 2014) 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 September 2010. This group now looks at detailed performance information across a range of housing performance measures.

4.3 For formal committees of the Council, 27 housing performance indicators are measured on a quarterly basis. The focus of such reporting is mainly on indicators where targets are not being achieved. Formal committees of Council also receive on a quarterly basis, information on compliance with and progress towards meeting a suite of key core strategic objectives.

4.4 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.

4.5 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.

4.6 At the highest level, there is a Service Plan that summarises the operational objectives of the service in the coming year, aligned to the Council's Corporate Plan.

4.7 Many of the local performance indicators which are monitored by the service management team were developed as a result of the local offers consultation with our tenants which took place initially in 2010/11. Since then with our tenants' panel we have continued to develop these local offers and the service has consistently performed well against our measurable promises in the following areas:

- Neighbourhood and Community – targets developed in conjunction with people who had reported anti-social behaviour (ASB) by completing initial assessments of ASB within 24 hours and completing investigations within 10 working days.

- Allocations – focussed on registering completed applications within 10 working days and publishing information each quarter on the number of properties let.

- Home – carrying out emergency repairs within 24 hours, urgent repairs within 3 days and aiming to complete the repair where practicable on the first visit. Ensuring we personally contact every complainant and ensuring that our contractors are courteous and polite at all times. We have a 5 year improvement plan to ensure that we meet and exceed the decent homes standard for all properties.

- Communication – aim to answer all calls within 10 seconds and reply to correspondence within 10 working days. On an annual basis senior managers and members 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.

4.8 The South Derbyshire District Council Housing Service was, upto 2013, the only business of its kind in the country to be fully accredited to the prestigious Investors in Excellence standard. The standard has now been revised and the service is working towards accreditation to the new Recognised for Excellence standard again focussed on effective high quality service delivery and customer satisfaction.

4.9 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 the debt collection arrangements will be reviewed in the 2015/16 year.

Action points

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

4.2 Review the former tenant arrears collection process by December 2015.

5 Resources

"*Is there a realistic assessment of current and likely future revenue and capital resources?"*

5.1 Current position

5.1.1 The introduction of the self-financing regime from April 2012 has enabled the HRA to agree balanced budgets together with a strategic plan of how the service should be developed in forthcoming years. The table below clearly highlights the fundamental change in the financial position over the last 10 years.

Spend area – each £	2013/14	2011/12	2005/06
Management	15p	19p	20p
Other expenses	3p	2p	5p
Responsive and planned repairs	22p	27p	28p
Improvements	40p	17p	22p
Negative housing subsidy or interest on debt	14p	35p	25p
Money carried forward	6p	0p	0p
Total	**£1.00**	**£1.00**	**£1.00**

5.1.2 We are spending more on the properties that we ever have done before.

5.1.3 Performance of the service remains at a generally high level, immediate investment needed in the current stock is already half complete and scheduled to meet the full completion target of March 2017. The initial phase of new build is underway. Development of and spend on new initiatives such as parking and environmental works and gardening and decorating works schemes are either underway or scheduled for 2015/16 starts.

5.1.4 Generally, in terms of management 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. The main management cost element not following that trend is central service support costs.

5.1.5 As current costs, future costs and service demands are known and are accounted for, the formation of this 2015 HRA Business Plan is therefore largely focussed on the capacity to deliver an additional new build and acquisition programme.

5.2 Budget 2015-17

5.2.1 The key variables are already accounted for in the base budget: i.e.

- the staffing complement was reviewed in 2014 and no further changes are projected. Salary increases have been incorporated into the base budget at an average of 1% in 2014/15 and 2015/16 and then 2% in all subsequent years. .

- central establishment recharges were reviewed in 2013/14 and were increased in the 2014/15 base budget and are now projected to go up annually at 2%.

- most of the £27m current stock investment is already tendered and under contract. The projection, now included in the base budget, is that the out-turn will be around £25m

- the phase 1 new build and acquisition project for 50 properties should come in under the £5.37m already profiled

- The additional new build 'turnkey' project delivering a further 20 properties will come in at £2m and any risk associated with that costing lies with the developer.

- the £100,000 investment in the Careline IT system in 2015/16 is already approved and in the base budget and a realistic assessment of income has been incorporated into the base budget.

- Rent lost through void property turnaround time has been reassessed downwards to 0.65% of budget on an ongoing basis which is more in line with actual performance but still allows for some modest increase in turnaround times.

- Although rent arrears increased initially through the removal of the spare room subsidy (or bedroom tax) they reduced during the 2013/14 financial year. This follows a national trend i.e. rent arrears peaked at April 2013.

5.2.1 The key variable that remains 'unknown' but is on the horizon is the effect of direct payments on rent arrears. As part of the move to Universal Credit, and thereby the wholesale change in the current welfare benefits process, the Government will introduce direct payments to claimants for Housing public sector rents. That means that instead of the housing benefit or rent being paid to the landlord the money will go to the tenant for them to pay to their landlord. Experience nationwide in the pilot projects for Universal Credit is that this will increase non-payment of rent, rent arrears and therefore reduce the projected income into the housing business. Some account of this variable needs to be taken in forecasting the HRA particularly over the 5 years.

5.2.2 In accountancy terms any increased rent arrears only hit the HRA as an actual deficit once any debt is written off i.e. the process is that 100% collection is assumed in the accounts. In comparative terms the Council has a very good rent collection record and only relatively modest amounts are written off each year i.e. typically £20,000 - £30,000 a year or 0.25% of turnover. In response to the Universal Credit proposals it has been agreed to increase the annual allowance for debt write off to 0.5% of turnover.

5.3 **Debt**

5.3.1 As part of the HRA self-financing process the Council took on a debt of £57.423m. On the day of settlement (1st April 2012) the outstanding debt on the HRA was £1.3m. Therefore the opening self-financing debt level at 1st April 2012 was £58.723m. The debt cap placed on the Council by Government was £66.852m giving borrowing 'headroom' of £8.129m.

5.3.2 The debt settlement was financed through a series of Public Works Loans Board (PWLB – a government agency) loans as below.

Table 1: Mix of funds for settlement payment

Loan	Interest Calculation	Repayment Method[1]	Principal (m)	Period (Years)	Actual Rate (%)
1	Variable	Maturity	10.0	10	0.70%
2	Fixed	Maturity	10.0	12	2.70%
3	Fixed	Maturity	10.0	15	3.01%
4	Fixed	Maturity	10.0	20	3.30%
5	Fixed	Maturity	10.0	25	3.44%
6	Fixed	Maturity	7.423	30	3.50%
			57.423		2.78%

5.3.3 Some Councils at the time of the self-financing debt settlement took on debt upto the cap which gave them immediate spending power and on the basis that the interest rates offered by the PWLB were very low and unlikely to be repeated. In the event interest rates have remained at very low rates in the intervening period. However if this Council now decides to utilise all available resources in and associated with the HRA for a phase 2 new build programme borrowing now upto the full debt cap needs to be considered in the light of interest rates likely moving upwards at some point in the short to medium term.

5.3.4 Treasury management advice is therefore being sought from the Council's advisers.

5.4 **Maximising all available remaining HRA resources for New Build**

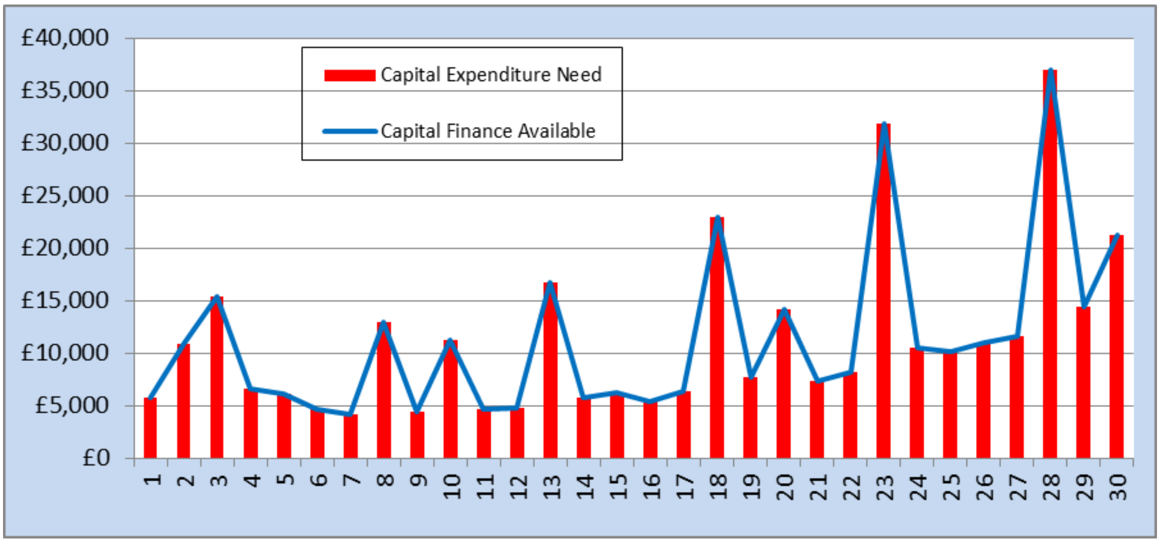
5.4.1 The HRA Business Plan working group have proposed that given that the Council is in the process of meeting its previous commitments to property improvements, service developments and phase 1 new build any additional available resources should be targeted at phase 2 new build.

5.4.2 The following projections therefore are based on that premise and ensuring that the future projections on all other spend areas are fully

[1] The loans are all 'Maturity' loans meaning that interest is paid on the principal sum until repayment is due. The council will consider options for redemption and/or refinancing on all of these loans as they fall due.

resourced before the available finance figure for phase 2 new build is arrived at.

5.4.3 For instance rebasing the stock condition info to 2014 requires a spend commitment on the current stock as follows:



5.5 **Financial Plan – the base position**

5.5.1 The financial plan has been based on the budget for 2014/15, current spending patterns and the already agreed investments in current stock, service developments and phase 1 new build.

5.5.2 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 £1m 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.

5.5.3 As a self-financing business with a borrowing cap the HRA cannot operate in deficit particularly in the situation of utilising all of the borrowing cap facility. Therefore keeping a constant review of income and expenditure is vitally important activity for the Council to undertake through the in-year and medium term financial reviews happening on a quarterly and half yearly basis through the Council's Finance and Management Committee

5.5.4 The operating account for 2014/15 shows a deficit of £1.823m leaving an HRA reserve balance of £1.047m. The income and expenditure on the account is summarised below:

2014/15	£'000
Rent from dwellings	12,309
Service charges	140
Non dwellings income	103
Other income	284
Total income	12,835

Management	2,454
Maintenance	3,287
Major repairs allowance	4,245
Total expenditure	9,986
Operating surplus	2,849
Net interest	1,592
Finance admin	275
Depreciation	2805
Overall Deficit	-1,823
Opening balance	2810
Contribution from reserve	-1,763

5.5.5 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, phase 1 of the new build programme underway and assuming a Phase 2 programme utilising all remaining available resources.

5.6 Sensitivity analysis

5.6.1 The main variables to be considered in the projections is the effect of increased Right to Buy sales and a change in rent policy that depresses rents in the future whilst costs continue to rise. The latter is not foreseen and there is no evidence to suggest such a course.

5.6.2 In the self-financing settlement the government projected the number of Right to Buy sales i.e. they tried to take account of the effect of sales in arriving at the amount of debt to be taken on by each authority. However the valuation discount rules were then changed in the early Spring of 2012 immediately prior to self-financing going live. This has led to RTBs in the first two years of self-financing running at a level upto twice as high as projected. Although government has allowed councils to keep all of the generated income (subject to satisfying rules about investment in new build) the increased sales have an overall negative effect on the business plan given that the lost revenue income over 30 years exceeds the immediate capital receipt.

5.6.3 Alternative revenue projections have been run assuming that the Council sells an average of an additional 5 properties per year than those in the base projection. This has the effect of reducing income by some £3m in the 30 years of the plan and although this will be offset to some extent by reduced expenditure it is clearly a heightened risk in the plan. After taking account of the reduced expenditure and the capital from the sale of an additional 5 RTB properties each year the effect would be to reduce the new build potential by 8 properties.

5.6.4 As most of our current debt is at fixed rates a change in prevailing interest rates will not affect the business plan.

5.6.5 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.

5.7 Risk Analysis

5.7.1 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.

5.7.2 The most significant issue will be managing the HRA effectively without the 'safety net' of unutilised borrowing headroom. However the reserve account balance of £1m will be maintained.

5.7.3 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.

5.7.4 The Council remains exposed on risks from external funding on DAST supported housing funding (Derbyshire Accommodation and Support – formerly Supporting People). The current position though is that the income relating to the visiting aspect of the supported accommodation service is at least fixed in the short term because it was put to tender in 2013 and the service was retained by the Council. The Council has also, in conjunction with 3 other partner councils, agreed a new finance model for the Careline call monitoring service and these assumptions on income have also been put into the base model.

5.7.5 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 implementation date is still unknown and uncertain 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 0.25% assumption to 0.5% 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.

5.7.6 In the current risk register, the only other high risk area relates to the lack of tenant participation. This risk is ongoing in that the numbers of tenants formally involved in participation activity remains low. The risk is the potential breach in the co-regulation arrangements required by the Government's Homes and Communities agency (HCA) requiring the Council to involve tenants in monitoring and improving service delivery. However our experience is in line with many shire Districts where service delivery is effective.

5.8 Rent and Service Charges

5.8.1 The base financial model has been built on the assumption that rents for continuing tenants will increase in line with the new central government guide coming in from April 2015 of Consumer Prices Index (CPI) inflation + 1%. The former convergence formula in the 10+ year period to April 2015 meant rents rose annually by the Retail Prices Index (RPI) + 0.5% + £2 towards convergence. The new CPI + 1% formula has been modelled in the 30 year business plan and marginally reduces the income in the plan from on-going or existing tenants.

5.8.2 It is projected in the plan that when properties become vacant the rent for the new tenant is based on the previous full formula rent for the property. This will be a continuation of a policy now in its fourth year of operation. In subsequent years the rent would then rise by CPI+1% as per 5.8.1 above.

5.8.3 All New Build properties are proposed to be let at Affordable rents (upto 80% of market value) as a way of generating additional income to then allow for more additional new build in the future. In subsequent years the rent would then rise by CPI+1% as per 5.8.1 above.

5.8.4 In effect therefore there will be three separate strands to the rent policy.

5.8.5 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.

5.8.6 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.

5.8.7 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.

5.8.8 Some other costs have been identified in relation to supported housing 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.

5.9 Treasury Management

5.9.1 With the HRA self-financing reform of April 2012 the council appointed and now retains the service of a treasury management adviser.

5.9.2 The HRA debt is kept is kept separate to the general fund under the ‘two pool’ arrangements. This means that the HRA debt can clearly be identified and the costs, including interest, relating to it sit openly in the HRA with no effect on the General Fund.

5.9.3 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.

5.10 Depreciation and Impairment

5.10.1 Upon self-financing, the DCLG wanted to introduce full depreciation accounting into the HRA in accordance with IFRS. A transition period was introduced which ends in 2017 to allow authorities time to adjust.

5.10.2 Depreciation itself should not cause too many concerns within the HRA as we currently look to have our capital spend above the accounting charge which results in no extra cost to the HRA. Impairment however cannot be estimated nor provided for in advance. This may pose a problem if in future years the housing stock were to suffer an impairment as this charge would have to be borne by the HRA revenue account - the impact could potentially be significant.

5.10.3 The issue relating to impairment is currently under review and being challenged due to its unpredictable nature and so is unclear at present whether this will be a real concern in the future but is certainly worth further consideration.

5.11 Phase 2 HRA new Build programme

5.11.1 Given all other known commitments and utilising a new build cost of £107.5k (inclusive of an average land value of £10k) there is capacity to embark on a wholly HRA funded new build phase 2 programme of 110 additional units over the next 5 years. In effect this would mean that in the first 6/7 years of self-financing we would have delivered 160 new homes.

Action points:

5.1 Update the risk register to reflect changed and risks by borrowing upto the debt cap.

5.2 Seek Committee approval for a phase 2 HRA new build programme of 110 units.

5.3 Seek treasury management advice on borrowing options.

5.4 Increase the provision for bad debts to 0.50% of annual debit.

5.5 Undertake further work on the potential for impairment to detrimentally affect the projections within the plan.

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.

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 The main identified tenant priorities in the consultation process of 3 years ago have been or are in the process of being implemented. Current stock investment and new build activity are well underway. A start has been made on other priorities such as environmental works, garage site improvements and estate parking. The service development priorities for gardening and decorating scheme for the elderly and/or vulnerable remain outstanding and will be progressed in 2015/16.

6.2 The HRA Business plan working group have agreed that all remaining available resources available upto the debt cap should be focussed on new build and acquisition i.e. increasing the stock of council housing

6.3 Phase 2 New Build

6.3.1 Taking account of the resource position outlined in section 5 this should allow the development of around a further additional 110 new build and acquisition homes in the next five years wholly within the HRA.

6.3.2 Therefore the Council would have delivered two phases of new build and approximately 160 new homes within seven years of self-financing. A significant achievement in itself but section 7 discusses how it could possibly do more.

6.3.3 Officers have been working in the last year on a 38 home, all affordable rent development in partnership with a regional builder, a local Housing Association and a land agent. It is anticipated that this project, close to the centre of Swadlincote, will be ready to bring before the Council for formal approval early in the new calendar year (2015). The difference on this project to the phase 1 new build project is that it would be 'turnkey' in nature. In essence our direct input would be limited to outlining a very broad based specification at the start, minimal involvement during construction and handover of the finished project.

6.3.4 This turnkey project will then provide a direct comparator for the Council in deciding how it should procure the second phase of new build i.e. we will have done full direct delivery taking on a full client role compared to the turnkey solution.

6.3.5 The negotiated route offered by the turnkey project at this stage appears to be better value for money especially taking account of reduced officer time input. However we have yet to measure the quality of the finished project. Our colleagues in a local developing Housing Association have moved away from a traditional procurement model for new build toward a more mixed approach but sending a clear message to the developer market that they are interested in working in partnership upto a set value in accordance with a broad specification. Whichever route is chosen, building a new affordable 2 or 3 bed house, excluding land, costs in the region of

£90k to £100k rent dependent on the site. In projecting the 110 properties at 6.3.1 we have assumed an all-in build cost of £107.5k including land.

6.3.6 The proposal for the scheme mentioned at 6.3.3. is that 20 homes be purchased by the council and 18 by the housing association.

Action points

6.1 Implement the decorating and gardening schemes in 2015/16.

6.2 Implement phase 2 of the New Build and Acquisition programme to deliver upto 110 additional affordable homes for rent in the next 5 years.

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 The HRA debt cap

7.1.1 At a national level the key to enable Councils to build more Council housing is to remove the HRA debt cap that currently limits HRA borrowing. Nationally it has been estimated that stock retained Councils have the financial capacity to support an additional £20-£25 billion investment from planned rental income. For South Derbyshire this would mean in practice borrowing in the region of at least a further £25m above the current debt cap in the HRA. However even though there is a strong case for removing the debt cap, and simply relying on current prudential borrowing rules to determine safe borrowing, there is no prospect of the debt cap being lifted. Although there is a long standing and on-going debate about whether local authority borrowing should count as government borrowing both the current government and opposition share the view that it does and the thrust of national policy is overall debt reduction.

7.1.2 This is though in direct conflict with another current government policy to encourage local authorities to build new housing stock wherever they can. The government's response to this dilemma so far has been to set up competitive bidding processes for the release of additional borrowing permissions within the HRA. Such processes have required Local Authorities to have fully worked up projects and bid on quite tight timescales to government on a competitive basis for permission to borrow beyond the debt cap.

7.1.3 One option South Derbyshire has to build beyond its current debt cap is to build up a portfolio of 'ready to go' new build schemes and apply to government on any future additional permission bidding round.

7.2 New Build outside the HRA

7.2.1 The Council has ambitions to do all it can to help alleviate the excess of demand over supply for affordable housing. Once the HRA resources are exhausted with a phase 2 new build programme starting in 2015 it would be 2020 before the HRA could again commit additional HRA monies to new build if all other parameters remained the same. Therefore the Council has decided to explore options to build outside of the HRA.

Option 1 - Joint Venture Company

7.2.2 The term JVC is used to describe a joint venture with partners (typically the private sector: developers, institutional investors, and potentially the HCA) in which the local authority has a stake, generally through the input of land.

7.2.3 There are a multiplicity of models being developed under the generic heading 'Joint Venture Company; (JVC) involving the local authority in partnership with a developer and investor, perhaps including an existing Registered Provider (RP) and/or the HCA. Whilst there has been much debate nationally around the move to bring institutional investment into affordable housing, there are few schemes that have attracted funding directly from insurance companies and pension schemes to date. Such schemes have tended towards the 'sale and leaseback' type in which homes are developed on LA/HA land, rented for a period (generally a long period) providing a steady return to the investor, after which the land and units revert to the LA/HA.

7.2.4 There are, however, a growing number of examples of joint ventures of various types, including LB Barking & Dagenham, Manchester City Council and Derwent Living (housing association) although detailed financial information is limited due to its commercial nature.

7.2.5 The nature and role of the partners is critical – including what they are 'bringing to the table'. For example:

- Local authority inputs land – may manage any affordable housing developed in the scheme but also through 'sale and leaseback' may actually receive the properties into ownership after a set period.
- HCA – may have land to input as well as grant – the input of grant affects tenure and requirement around RP registration for the affordable properties in the company.
- Developer inputs expertise and takes degree of profit from development and on-going sales, has contracts for on-going maintenance.
- Institutional investor inputs equity/other funding and receives a return over the short, medium or long term – typically higher for private equity, lower for pension funds (see below).
- Bank – may provide funding alongside the equity investment – this might be borrowing or a bond issue.

7.2.6 Each partner could receive a return – it is essential that the LA is clear on what its returns would be: new housing, nominations, but also perhaps a share in any future profits, if for example the JVC was aimed at market housing.

7.2.7 Though challenging, it is clear that institutions are interested in investing significant amounts and are looking for 'scaleable' schemes – the market tends to feel it is around finding 'the next big thing'.

7.2.8 There is no single model of rents and tenure, though many are looking at models which have a combination of different affordable rents, shared ownership, rent-to-buy, market renting and homes for sale. Some models include a requirement for sale of properties in order to generate additional returns (i.e. from capital growth). Affordable rented properties would however generally be on the 'assured' tenancy model from housing associations.

7.2.9 In general, the costs of finance are critical to the potential viability of the venture. The shorter the time period, the higher the likely requirement for return (returns of above 10% are sought by investors over a period up to 10 years). Conversely, the longer the period, the more likely steadier and lower returns might be acceptable (pension fund and insurance companies – typically 5-6% over 30+ years). The balance between equity and borrowing is also critical to understand the total costs of funds.

7.2.10 The availability of funds for investment in UK residential property is extremely high as a means of securing relatively low, relatively steady returns for a proportion of the portfolios that investors have under management.

7.2.11 There are though several drawbacks to such proposal

- Although there are growing examples of such schemes they tend to be in metropolitan or city areas where there is a track record of direct LA intervention in regeneration
- The structural and governance arrangements for the partnership are expensive and take years to develop (although as more schemes progress this burden should reduce).
- Private finance will be looking for either a short high return moderate investment or a long term large low risk investment i.e. a South Derbyshire only project would be unlikely to deliver either requirement.
- Most schemes are predicated on the Local Authority inputting its own developable land. In the South Derbyshire situation we don't have a large tract of our land to bring to a partnership.

<u>Option 2 – Special Purpose Vehicle/Wholly Owned Company</u>

7.2.12 The option exists to create a wholly owned company. The main advantage of this is that the borrowing needed to build the houses could be outside of the HRA i.e. within the General Fund. Those Councils which set up Arms-Length Management Organisations (ALMOs) to manage their stock in the 2000-2010 period have a ready-made company in which to develop where properties can be funded by debt taken on by the General Fund. An additional benefit is that such properties can be let on Assured Tenancies and therefore be exempt from the Right to Buy. Our neighbours in Derby are currently developing through their ALMO.

7.2.13 For those councils without ALMOs and wanting to develop beyond their HRA debt cap the establishment of a wholly owned company could be the quickest, least risky and most straightforward way of developing.

7.2.3 Such companies are also able to enter into other sectors of the housing market i.e. building for market rent and/or sale. Indeed, several Councils which have recently set up such wholly owned development companies have them involved in wider housing activity. In the case of South Cambridgeshire DC or Daventry this has involved the letting of private sector stock as part of regeneration/improvement works.

7.2.4 For South Derbyshire District Council to progress this option more detailed feasibility work needs to be carried out. As this breaks into a new area a small working group of politicians from both parties as well as the Director of Finance and Corporate Services is proposed in an effort to create a consensus on the best way forward. External advice and support would be required to inform the group.

Action Point:

7.1 To undertake further analysis of the options available to build outside of the HRA through a sub-group of the councillors that were members of the 2014 HRA working group.

Appendix A – Performance Indicators and Targets

Description	13/14 result	14/15 Target	*15/16 Target
Number of gas certificates that went 'out of time'	18	Proxy measure	**Proxy measure**
% of local authority-owned non-decent dwellings	0%	0%	**0%**
Tenant satisfaction with improvement schemes	98.73%	95%	**95%**
% of properties with a valid Annual Gas Safety Certificate (G15CO)	99.96%	100%	**100%**
Energy Efficiency – average SAP (2009) rating of Council housing stock	62	62	**62**
Tenant satisfaction with Annual Gas Safety Check	100%	95%	**95%**
Tenant satisfaction with day to day gas repairs	97%	95%	**95%**
% of gas repairs issued as emergencies to contractor	44.6%	Proxy measure	**Proxy measure**
% of emergency gas repairs completed on time	96.6%	99%	**99%**
% of 3 day gas repairs completed on time	95.3%	97%	**97%**
% of 9 day gas repairs completed on time	94.2%	99%	**99%**
% of 20 day gas repairs completed on time	89.7%	99%	**99%**
% of all gas jobs completed on time	95.4%	98%	**98%**
Tenant satisfaction with electrical maintenance	97%	95%	**95%**
% of electrical repairs issues as emergencies to contractor	38.5%	Proxy measure	**Proxy measure**
% of emergency electrical repairs completed on time	95.5%	99%	**99%**
% of 3 day electrical repairs completed on time	93.9%	97%	**97%**
% of 9 day electrical repairs completed on time	100%	99%	**99%**
% of 20 day electrical repairs completed on time	92.4%	99%	**99%**
% of all electrical jobs completed on time	94.2%	98%	**98%**
Number of homeless presentations	185	Proxy measure	**Proxy measure**
The average length of stay (weeks) of households in bed & breakfast accommodation	3.3	3	**3**
Number of households in temporary accommodation (regardless of status)	4	7	**7**

Description	13/14 result	14/15 Target	*15/16 Target
Average length of time to make a homeless decision (Working Days)	22.9	20	**20**
% of temporary accommodation where B&B arrears have been recovered	65%	65%	**65%**
Number of households on the Housing Register	1980	Proxy measure	**Proxy measure**
Number of new completed applications to join the Housing Register	768	Proxy measure	**Proxy measure**
Average time taken to input completed application forms (working days)	8.8	10	**10**
% of properties accepted on first offer	n/a	Proxy measure	**Proxy measure**
% of calls to careline answered within 30 seconds	95%	98%	**98%**
% of Telecare installations completed within 21 working days of receiving notification	99.3%	95%	**95%**
Number of affordable homes delivered (gross)	11	40	**40**
Correspondence answered within 10 working days	92.6%	95%	**95%**

* Targets will be confirmed in March 2015 in the Housing & Environmental Service Plan.

Appendix B

HOUSING REVENUE ACCOUNT PROJECTIONS
South Derbyshire

Year	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
£'000	1	2	3	4	5	6	7	8	9	10	11	12
INCOME:												
Rental Income	12,390	12,640	13,206	13,952	14,368	14,760	15,174	15,587	16,425	16,875	17,659	18,146
Void Losses	-81	-82	-86	-92	-95	-97	-100	-103	-109	-112	-118	-121
Service Charges	140	140	140	140	140	140	144	147	151	155	158	162
Non-Dwelling Income	103	105	108	110	113	116	119	122	125	128	131	134
Grants & Other Income	284	284	285	285	285	286	287	288	289	289	290	291
Total Income	**12,835**	**13,087**	**13,651**	**14,395**	**14,812**	**15,204**	**15,622**	**16,041**	**16,880**	**17,334**	**18,121**	**18,613**
EXPENDITURE:												
General Management	-1,573	-1,617	-1,659	-1,705	-1,748	-1,791	-1,836	-1,882	-1,933	-1,982	-2,034	-2,085
Special Management	-837	-756	-775	-794	-814	-834	-855	-877	-898	-921	-944	-968
Other Management	0	0	0	0	0	0	0	0	0	0	0	0
Rent Rebates	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	-43	-44	-46	-48	-50	-51	-52	-54	-56	-58	-60	-62
Responsive & Cyclical Repairs	-3,287	-3,395	-3,523	-3,615	-3,705	-3,799	-3,927	-4,109	-4,233	-4,391	-4,522	-4,656
Total Revenue Expenditure	**-5,742**	**-5,812**	**-6,003**	**-6,162**	**-6,316**	**-6,475**	**-6,671**	**-6,921**	**-7,121**	**-7,351**	**-7,560**	**-7,771**
Interest Paid	-1,605	-1,681	-1,974	-2,016	-2,016	-2,022	-2,025	-2,351	-2,265	-2,573	-2,391	-2,394
Finance Administration	-275	-8	-11	-8	-9	-9	-9	-13	-10	-13	-10	-10
Interest Received	13	16	10	11	17	45	86	66	50	49	58	129
Depreciation	-2,805	-2,854	-3,019	-3,087	-3,150	-3,217	-3,284	-3,430	-3,503	-3,637	-3,715	-3,796
Net Operating Income	**2,421**	**2,748**	**2,654**	**3,132**	**3,338**	**3,525**	**3,720**	**3,392**	**4,031**	**3,809**	**4,503**	**4,771**
APPROPRIATIONS:												
FRS 17 /Other HRA Reserve Adj	60	1,267	0	0	0	0	0	10,000	0	10,000	0	0
Revenue Provision (HRACFR)	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Contribution to Capital	-4,245	-3,995	-2,597	-3,238	-3,281	-3,594	-3,700	-13,244	-4,124	-13,667	-4,596	-4,705
Total Appropriations	**-4,185**	**-2,728**	**-2,597**	**-3,238**	**-3,281**	**-3,594**	**-3,700**	**-3,244**	**-4,124**	**-3,667**	**-4,596**	**-4,705**
ANNUAL CASHFLOW	**-1,763**	**21**	**57**	**-106**	**57**	**-68**	**20**	**148**	**-92**	**142**	**-94**	**65**
Opening Balance	2,810	1,047	1,068	1,125	1,020	1,076	1,008	1,028	1,176	1,084	1,226	1,132
Closing Balance	**1,047**	**1,068**	**1,125**	**1,020**	**1,076**	**1,008**	**1,028**	**1,176**	**1,084**	**1,226**	**1,132**	**1,197**
Other HRA Reserve Balance	0	0	0	0	0	0	0	0	0	0	0	0
HRA Debt Repayment Reserve	0	0	0	0	700	3,190	6,370	270	4,195	45	4,445	8,515
HRA New Build Reserve	1,270	3	3	3	3	3	3	3	3	3	3	3

Appendix B (cont'd)

HOUSING REVENUE ACCOUNT PROJECTIONS
South Derbyshire

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
£'000	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**	**23**	**24**
INCOME:												
Rental Income	18,644	19,731	20,307	20,918	21,495	22,087	23,524	24,214	25,247	25,934	26,638	28,550
Void Losses	-125	-133	-137	-141	-145	-149	-160	-165	-173	-178	-182	-197
Service Charges	166	171	175	179	184	188	193	198	203	208	213	218
Non-Dwelling Income	138	141	145	148	152	156	160	164	168	172	176	181
Grants & Other Income	293	294	295	296	297	298	299	301	302	303	304	306
Total Income	**19,116**	**20,203**	**20,785**	**21,400**	**21,982**	**22,580**	**24,016**	**24,711**	**25,747**	**26,439**	**27,150**	**29,057**
EXPENDITURE:												
General Management	-2,137	-2,197	-2,252	-2,309	-2,366	-2,425	-2,494	-2,557	-2,624	-2,690	-2,757	-2,837
Special Management	-992	-1,017	-1,042	-1,068	-1,095	-1,122	-1,150	-1,179	-1,208	-1,239	-1,270	-1,301
Other Management	0	0	0	0	0	0	0	0	0	0	0	0
Rent Rebates	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	-63	-67	-69	-71	-72	-74	-79	-81	-84	-86	-89	-94
Responsive & Cyclical Repairs	-4,873	-5,021	-5,193	-5,347	-5,506	-5,778	-5,955	-6,168	-6,350	-6,538	-6,884	-7,097
Total Revenue Expenditure	**-8,066**	**-8,301**	**-8,555**	**-8,794**	**-9,039**	**-9,400**	**-9,677**	**-9,985**	**-10,267**	**-10,553**	**-10,999**	**-11,329**
Interest Paid	-2,830	-2,504	-2,505	-2,502	-2,499	-2,923	-2,566	-2,654	-2,551	-2,573	-3,057	-2,632
Finance Administration	-17	-11	-11	-11	-12	-19	-13	-15	-13	-13	-23	-14
Interest Received	97	64	129	204	285	211	142	160	191	300	198	84
Depreciation	-3,983	-4,076	-4,175	-4,266	-4,361	-4,604	-4,714	-4,884	-4,991	-5,101	-5,418	-5,552
Net Operating Income	**4,318**	**5,376**	**5,668**	**6,030**	**6,357**	**5,846**	**7,187**	**7,333**	**8,115**	**8,500**	**7,850**	**9,614**
APPROPRIATIONS:												
FRS 17 /Other HRA Reserve Adj	18,386	0	0	156	33	19,855	422	9,462	438	0	28,652	0
Revenue Provision (HRACFR)	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Contribution to Capital	-22,507	-5,482	-5,709	-5,998	-6,422	-25,515	-7,816	-16,672	-8,608	-8,464	-35,901	-10,150
Total Appropriations	**-4,120**	**-5,482**	**-5,709**	**-5,842**	**-6,389**	**-5,660**	**-7,394**	**-7,210**	**-8,170**	**-8,464**	**-7,249**	**-10,150**
ANNUAL CASHFLOW	**198**	**-106**	**-41**	**188**	**-32**	**186**	**-207**	**123**	**-55**	**36**	**601**	**-536**
Opening Balance	1,197	1,395	1,289	1,248	1,436	1,404	1,590	1,383	1,506	1,451	1,487	2,088
Closing Balance	**1,395**	**1,289**	**1,248**	**1,436**	**1,404**	**1,590**	**1,383**	**1,506**	**1,451**	**1,487**	**2,088**	**1,553**
Other HRA Reserve Balance	0	0	0	0	0	0	0	0	0	0	0	0
HRA Debt Repayment Reserve	454	4,454	8,354	13,197	17,764	4,309	9,537	6,525	13,187	19,507	355	5,955
HRA New Build Reserve	3	3	3	3	3	3	3	3	3	3	3	3

HOUSING REVENUE ACCOUNT PROJECTIONS
South Derbyshire

Year	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49
£'000	25	26	27	28	29	30	31	32	33	34	35
INCOME:											
Rental Income	29,414	30,264	31,169	32,122	34,405	35,568	37,118	38,130	39,169	40,236	41,330
Void Losses	-204	-210	-216	-223	-241	-249	-261	-268	-276	-283	-291
Service Charges	224	229	235	241	247	253	260	266	273	280	286
Non-Dwelling Income	185	190	195	200	205	210	215	220	226	232	237
Grants & Other Income	307	309	310	312	313	315	316	318	320	321	323
Total Income	**29,927**	**30,783**	**31,693**	**32,651**	**34,929**	**36,096**	**37,647**	**38,666**	**39,711**	**40,785**	**41,886**
EXPENDITURE:											
General Management	-2,909	-2,982	-3,057	-3,135	-3,226	-3,309	-3,397	-3,482	-3,569	-3,658	-3,749
Special Management	-1,334	-1,367	-1,401	-1,436	-1,472	-1,509	-1,547	-1,585	-1,625	-1,666	-1,707
Other Management	0	0	0	0	0	0	0	0	0	0	0
Rent Rebates	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	-97	-99	-102	-105	-112	-115	-120	-123	-126	-130	-133
Responsive & Cyclical Repairs	-7,330	-7,553	-7,785	-8,201	-8,466	-8,768	-9,030	-9,300	-9,643	-9,937	-10,257
Total Revenue Expenditure	**-11,669**	**-12,002**	**-12,346**	**-12,878**	**-13,276**	**-13,701**	**-14,093**	**-14,490**	**-14,963**	**-15,390**	**-15,847**
Interest Paid	-2,633	-2,635	-2,635	-2,968	-2,665	-2,718	-2,633	-2,599	-2,017	-1,446	-1,442
Finance Administration	-14	-14	-15	-24	-16	-19	-16	-17	-17	-18	-18
Interest Received	176	274	370	247	118	143	217	402	368	351	588
Depreciation	-5,683	-5,822	-5,968	-6,338	-6,516	-6,757	-6,906	-7,059	-7,215	-7,375	-7,537
Net Operating Income	**10,104**	**10,584**	**11,099**	**10,691**	**12,574**	**13,045**	**14,216**	**14,902**	**15,866**	**16,908**	**17,629**
APPROPRIATIONS:											
FRS 17 /Other HRA Reserve Adj	50	0	0	26,641	998	8,542	949	710	28,400	177	0
Revenue Provision (HRACFR)	0	0	0	0	0	0	0	0	0	0	0
Revenue Contribution to Capital	-10,022	-10,436	-11,122	-36,671	-14,259	-21,331	-12,749	-12,419	-40,368	-12,334	-12,172
Total Appropriations	**-9,972**	**-10,436**	**-11,122**	**-10,030**	**-13,262**	**-12,789**	**-11,800**	**-11,709**	**-11,967**	**-12,157**	**-12,172**
ANNUAL CASHFLOW	**133**	**147**	**-22**	**661**	**-687**	**256**	**2,415**	**3,193**	**3,899**	**4,751**	**5,457**
Opening Balance	1,553	1,685	1,833	1,810	2,472	1,784	2,040	4,455	7,648	11,547	16,298
Closing Balance	**1,685**	**1,833**	**1,810**	**2,472**	**1,784**	**2,040**	**4,455**	**7,648**	**11,547**	**16,298**	**21,756**
Other HRA Reserve Balance	0	0	0	0	0	0	0	0	0	0	0
HRA Debt Repayment Reserve	11,700	17,250	22,950	2,108	7,611	5,569	13,620	21,910	2,510	11,332	20,332
HRA New Build Reserve	3	3	3	3	3	3	3	3	3	3	3

Appendix C

HOUSING CAPITAL PROJECTIONS
South Derbyshire

Year	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27
£'000	1	2	3	4	5	6	7	8	9	10	11	12	13
EXPENDITURE:													
Planned Variable Expenditure	0	0	0	0	0	0	-23	-62	-67	-69	-72	-100	-182
Planned Fixed Expenditure	-5,150	-5,298	-5,430	-5,566	-5,705	-4,199	-3,736	-3,829	-3,925	-4,023	-4,124	-4,166	-4,270
Disabled Adaptations	-335	-343	-352	-361	-370	-379	-388	-398	-408	-418	-429	-439	-450
Other Capital Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0
New Build Expenditure	-200	-5,220	-9,106	-807	0	-242	0	-8,649	0	-6,681	0	0	-11,800
Procurement Fees	-15	-15	-16	-16	-17	-17	-18	-18	-18	-19	-19	-20	-20
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**-5,700**	**-10,877**	**-14,904**	**-6,750**	**-6,092**	**-4,837**	**-4,165**	**-12,957**	**-4,419**	**-11,211**	**-4,644**	**-4,725**	**-16,723**
FUNDING:													
Major Repairs Reserve	771	5,060	3,496	3,087	2,450	727	104	-10,470	-422	-12,213	-685	-274	-24,728
Right to Buy Receipts	624	426	425	425	361	360	328	327	295	295	294	293	293
HRA CFR Borrowing	0	0	8,386	0	0	156	33	9,855	422	9,462	438	0	18,652
Other Receipts/Grants	0	190	0	0	0	0	0	0	0	0	0	0	0
HRA Reserves	60	1,207	0	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	4,245	3,995	2,597	3,238	3,281	3,594	3,700	13,244	4,124	13,667	4,596	4,705	22,507
Total Capital Funding	**5,700**	**10,877**	**14,904**	**6,750**	**6,092**	**4,837**	**4,165**	**12,957**	**4,419**	**11,211**	**4,644**	**4,725**	**16,723**
In-Year Net Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Position	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

MRR Account:													
Opening Balance	1,648	2,682	477	0	0	0	0	0	0	0	0	0	0
Net Contribution (Depr)	2,805	2,854	3,019	3,087	3,150	3,217	3,284	3,430	3,503	3,637	3,715	3,796	3,983
Use of Reserve to Capital	-771	-5,060	-3,496	-3,087	-2,450	-727	-104	10,470	422	12,213	685	274	24,728
Contribution to HRACFR	-1,000	0	0	0	-700	-2,490	-3,180	-13,900	-3,925	-15,850	-4,400	-4,070	-28,711
Closing Balance	**£2,682**	**£477**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**

Appendix C (cont'd)

HOUSING CAPITAL PROJECTIONS
South Derbyshire

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
£'000	13	14	15	16	17	18	19	20	21	22	23	24
EXPENDITURE:												
Planned Variable Expenditure	-182	-191	-224	-231	-281	-453	-474	-522	-537	-551	-762	-788
Planned Fixed Expenditure	-4,270	-4,377	-4,486	-4,598	-5,577	-5,716	-5,859	-6,006	-6,156	-7,072	-7,248	-7,430
Disabled Adaptations	-450	-462	-473	-485	-497	-510	-522	-535	-549	-562	-577	-591
Other Capital Expenditure	0	0	0	0	0	0	0	0	0	0	0	0
New Build Expenditure	-11,800	-738	-1,058	0	0	-16,607	-834	-7,355	0	0	-23,210	-1,699
Procurement Fees	-20	-21	-21	-22	-22	-23	-24	-24	-25	-25	-26	-27
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**-16,723**	**-5,787**	**-6,263**	**-5,336**	**-6,377**	**-23,309**	**-7,713**	**-14,443**	**-7,267**	**-8,210**	**-31,823**	**-10,534**
FUNDING:												
Major Repairs Reserve	-24,728	76	275	-890	-272	-21,651	-1,358	-11,028	-2,547	-1,219	-32,734	-48
Right to Buy Receipts	293	229	228	228	227	227	258	257	257	256	255	255
HRA CFR Borrowing	18,652	0	50	0	0	19,218	998	8,542	949	710	28,400	177
Other Receipts/Grants	0	0	0	0	0	0	0	0	0	0	0	0
HRA Reserves	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	22,507	5,482	5,709	5,998	6,422	25,515	7,816	16,672	8,608	8,464	35,901	10,150
Total Capital Funding	**16,723**	**5,787**	**6,263**	**5,336**	**6,377**	**23,309**	**7,713**	**14,443**	**7,267**	**8,210**	**31,823**	**10,534**
In-Year Net Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Position	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
MRR Account:												
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0
Net Contribution (Depr)	3,983	4,076	4,175	4,266	4,361	4,604	4,714	4,884	4,991	5,101	5,418	5,552
Use of Reserve to Capital	24,728	-76	-275	890	272	21,651	1,358	11,028	2,547	1,219	32,734	48
Contribution to HRACFR	-28,711	-4,000	-3,900	-5,156	-4,633	-26,255	-6,072	-15,912	-7,538	-6,320	-38,152	-5,600
Closing Balance	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**

HOUSING CAPITAL PROJECTIONS
South Derbyshire

Year	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49
£'000	25	26	27	28	29	30	31	32	33	34	35
EXPENDITURE:											
Planned Variable Expenditure	-898	-920	-943	-1,240	-1,289	-1,369	-1,410	-1,453	-1,849	-1,929	-2,087
Planned Fixed Expenditure	-7,615	-7,806	-8,001	-8,201	-8,406	-8,616	-7,846	-7,846	-7,846	-7,846	-7,846
Disabled Adaptations	-606	-621	-636	-652	-669	-685	-702	-720	-738	-756	-775
Other Capital Expenditure	0	0	0	0	0	0	0	0	0	0	0
New Build Expenditure	-968	-1,587	-2,033	-26,885	-4,272	-10,948	0	0	0	0	0
Procurement Fees	-27	-28	-29	-29	-30	-31	0	0	0	0	0
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**-10,114**	**-10,962**	**-11,643**	**-37,008**	**-14,666**	**-21,649**	**-9,958**	**-10,020**	**-10,434**	**-10,531**	**-10,709**
FUNDING:											
Major Repairs Reserve	-162	272	268	-26,103	-982	-8,285	-3,042	-2,651	-30,185	-1,803	-1,463
Right to Buy Receipts	254	253	253	252	252	252	252	252	252	0	0
HRA CFR Borrowing	0	0	0	26,189	1,137	8,352	0	0	0	0	0
Other Receipts/Grants	0	0	0	0	0	0	0	0	0	0	0
HRA Reserves	0	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	10,022	10,436	11,122	36,671	14,259	21,331	12,749	12,419	40,368	12,334	12,172
Total Capital Funding	**10,114**	**10,962**	**11,643**	**37,008**	**14,666**	**21,649**	**9,958**	**10,020**	**10,434**	**10,531**	**10,709**
In-Year Net Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Position	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

MRR Account:											
Opening Balance	0	0	0	0	0	0	0	0	0	0	0
Net Contribution (Depr)	5,683	5,822	5,968	6,338	6,516	6,757	6,906	7,059	7,215	7,375	7,537
Use of Reserve to Capital	162	-272	-268	26,103	982	8,285	3,042	2,651	30,185	1,803	1,463
Contribution to HRACFR	-5,845	-5,550	-5,700	-32,441	-7,498	-15,042	-9,949	-9,710	-37,400	-9,177	-9,000
Closing Balance	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**

Appendix D

Assumptions made in preparing the Housing Revenue Account Business Plan model – 2014/15 figures unless stated

1. Global Input
    - Inflation rate 2.5% (government recommendation)

2. Stock and Rent
    - Tenanted stock 3,009
    - Average rent £79.23
    - Real annual rent increase of CPI plus 1%
    - Voids 0.65%

3. Other Income
    - Garage and shop rents £102,500
    - Insurance and rechargeable repairs £33,800

4. Miscellaneous Income
    - 'Supporting People' Grant £250,000

5. Right to Buy Sales
    - 20 in 2014/15, 15 in 2015/16, 15 in 2016/17, 15 in 2017/18, 13 in 2018/19 and 2019/20
    - Attributable debt proportion of RTB receipts retained for 1-4-1 new build

6. Other Stock Changes
    - New build modelled at 50 in 2014/15, 91 in 2015/16, 17 in 2016/17 and 2 in 2018/19.

7. Management and Service Costs
    - General management costs are set at £1,511,210.
    - Supported housing and other service costs are set at £837,436 which includes £100,000 Careline partnership set-up costs i.e. this will reduce in subsequent years.

8. Responsive and Cyclical Maintenance
    - Responsive, void and cyclical repairs are set at £950 per unit
    - £350,000 per annum has been included for disabled adaptations work

9. Improvements
    - Improvement expenditure has been included in the model in line with the stock condition survey at £36,659 per unit over 30 years

10. Housing Revenue Account Working Balance
    - The Housing Revenue Account Working Balance is set at £1,000,000

Appendix E – Risk Register

Director of Service:	**Bob Ledger**	**Responsible Member:**		**Cllr Jim Hewlett**	**Date:01/11/2014**	**Date of Next Review:**	**01/04/2016**	
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 to remain in the HRA.		Director of Housing & Environmental Services	Quarterly review to Committee as part of Performance monitoring process
HS2	Reduction on County Council part funding of Supported Housing Services		High	Low	Maintain relations with Derbyshire County Council and work in partnership. Deliver Careline partnership project		Housing Operations Manager / Performance & Business Manager	April 2016
HS3	Loss of Homelessness Grant		Low	Low	Continue to lobby County Council colleagues to maintain the grant in future years.		Strategic Housing Manager	Ongoing
HS4	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
HS5	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
HS6	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
HS7	Lack of tenant participation in service activities to comply with co-regulation agenda	High	Low	Adherence to structured programme of involvement.	Performance & Business Manager	March 2015 and on-going
HS8	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 F

Summary of action points

1.1 Let all new build and acquired properties at Affordable rent levels from January 2015

1.2 Let all social rent properties at their 'formula rent' as and when they each become available for reletting.

1.3 Increase the rent annually of all 'ongoing' tenanted properties at the new national guidance level of CPI + 1%.

1.4 Complete and implement the Careline partnership arrangement by 1st April 2016.

1.5 Undertake a disaggregation project relating to service charges for communal facilities. 1.1 Complete and implement the Supported Housing Review in full by 1st December 2011.

2.1 Complete the five year stock investment programme by April 2017.

2.2 Consult tenants upon and develop proposals for a decorating and gardening scheme for tenants who are unable to carry out such work due to age and/or disability. Develop proposals by October 2015.

2.3 Deliver in full by April 1st 2017 the programme of garage site, parking and environmental improvements.

3.1 Continue to deliver the investment programme in the current stock and complete all works on schedule by March 2017.

3.2 Undertake the next phase of the garage site improvement programme with a further five sites to be refurbished in 2015/16 calendar year.

3.3 Undertake the first phase of parking improvement in 2015/16

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

4.2 Review the former tenant arrears collection process by December 2015.

5.1 Update the risk register to reflect changed and risks by borrowing upto the debt cap.

5.2 Seek Committee approval for a phase 2 HRA new build programme of 110 units.

5.3 Seek treasury management advice on borrowing options.

5.4 Increase the provision for bad debts to 0.50% of annual debit.

5.5 Undertake further work on the potential for impairment to detrimentally affect the projections within the plan.

6.1 Implement the decorating and gardening schemes in 2015/16.

6.2 Implement phase 2 of the New Build and Acquisition programme to deliver upto 110 additional affordable homes for rent in the next 5 years.

7.1 To undertake further analysis of the options available to build outside of the HRA through a sub-group of the councillors that were members of the 2014 HRA working group.