ENCLOSURE 6.1

CANNOCK CHASE COUNCIL

COUNCIL

15 FEBRUARY 2012

JOINT REPORT OF THE HEAD OF HOUSING AND THE HEAD OF FINANCIAL MANAGEMENT

HOUSING REVENUE ACCOUNT BUSINESS PLAN

1. Purpose of Report

1.1 To consider a proposed 30 year Housing Revenue Account Business Plan as recommended by Cabinet.

2. Recommendations

2.1 That the proposed Housing Revenue Account (HRA) Business Plan (attached as Annex 1) and the associated programme of capital expenditure (attached as Annex 2) are approved.

2.2 That the assumptions used in formulating the HRA Business Plan (attached as Annex 3) and the associated risk analysis (attached as Annex 4) are noted.

2.3 That the HRA Business Plan is reviewed annually as part of the budget process.

3. Summary (inc. brief overview of relevant background history)

3.1 A new devolved system of "self-financing" will replace the current Housing Revenue Account subsidy system with effect from 1 April 2012.

3.2 Details of the self-financing system were reported to Cabinet on 21 July 2011 and will enable the Council to retain all of its rent income and no longer pay negative subsidy to the Government. However, "in return", the Council will be required to "take on" a share of the national housing debt by making a settlement payment to the Government. In addition, the Government will limit the amount of finance which the Council can borrow, through the imposition of a "borrowing cap".

3.3 In order to implement self-financing Cabinet on 19 January 2012 agreed a proposed 30 year HRA Business Plan and have recommended this to Council on 15 February 2012 for approval. The proposed plan is based on the Council's self-financing determinations which set:-

(a) The Council's settlement payment at £59.762 million.

(b) The Council's limit on indebtedness (its borrowing cap) at £85.546 million.

3.4 The proposed HRA Business Plan has been used by Cabinet to provide the financial framework within which their recommended three year Housing Revenue Account and HRA Capital Programme budgets for the period 2012-13 to 2014-15 have been formulated.

4. The Proposed Housing Revenue Account Business Plan

4.1 The proposed 30 year HRA Business Plan is attached as Annex 1, with the accompanying programme of capital expenditure set out as Annex 2. Details of the assumptions used in formulating the plan are also attached as Annex 3.

4.2 The proposed Business Plan has been developed from an initial Business Plan which was agreed by Cabinet on 21 July 2011 for consultation. Details of the changes between the initial and the proposed Business Plan are set out in the report to Cabinet on 19 January 2012 and reflect:-

(a) Customer feedback from the tenant consultation exercise and the views of the Housing Policy Development Committee.

(b) Revised assumptions regarding the interest rate for new Council borrowing to meet the settlement payment, future Right to Buy dwelling sales and inflation rates.

(c) The proposed enhancements in respect of certain HRA capital scheme service standards (agreed by Cabinet on 17 November 2011) and the initial programme of improvements to communal entrance flat blocks (agreed by Cabinet on 19 January 2012).

4.3 A risk analysis of certain key Business Plan assumptions is attached as Annex 4. It will be noted that there is particular uncertainty regarding the interest rate in respect of the new borrowing to meet the Council's £59.762 million settlement payment. The self-financing regime only allows settlement payment borrowing to take place on the specified date of 28 March 2012, at the interest rate which applies on 26 March 2012. Whilst a 4% interest rate has been assumed for settlement payment borrowing this could change as a result of the current economic uncertainty associated with the current "Euro Crisis" and will not be finally known until 26 March 2012.

4.4 If required a further report will be submitted to Cabinet on any significant changes to the proposed HRA Business Plan following the conclusion of the Council's settlement payment borrowing.

4.5 The proposed Business Plan assumes a continuation of current policies and existing levels of service for both responsive and cyclical maintenance and housing management activities. In relation to responsive and cyclical maintenance this includes:-

(a) The servicing of all gas and solid fuel heating appliances and the continuation of a "three star" maintenance service.

(b) A responsive repairs service delivered in accordance with current timescales.

(c) Works to void dwellings in accordance with the Council's lettable standard including the provision of a second door to any bungalows which remain without this facility.

(d) Annual contributions to reserve accounts to provide for:-

- The replacement of door entry systems and sheltered housing scheme lifts when required.

- The maintenance of the internal communal areas of flat blocks on a 7 year cycle.

- A stock condition survey every five years.

4.6 In relation to housing management provision has been made to continue existing levels of service in respect of rent collection and arrears recovery, the allocation and letting of vacant dwellings, tenant participation and estate management including "estate walks" and action regarding anti-social behaviour and neighbour complaints. The assumed level of service therefore includes:-

(a) The provision of the current Vulnerable Tenants' Grass Cutting and Internal Decoration service to households who are aged over 70 or who are in receipt of a defined benefit.

(b) The continued provision of the Benion Road area CCTV system.

(c) The provision of an annual minor works budget of £75,000 (inflated).

(d) The net cost of providing sheltered housing and communal alarm monitoring service following the receipt of supporting people funding from Staffordshire County Council. (Note: The continued provision of supporting people funding is subject to uncertainties as detailed in the Risk Analysis attached as Annex 4).

4.7 Details of the proposed programme of capital expenditure are set out in Annex 2 and would deliver:-

(a) The structural reinstatement of the Council's:-

* 63 Reema houses at the Moss Estate, Chadsmoor during Years 1 to 2.

* 44 Cornish houses in the Rowley Close Area, Pye Green during Years 3 to 4.

(b) The continuation of the kitchen replacement programme (at an enhanced service standard) to dwellings which fail to meet the decent homes standard.

(c) The continuation of the central heating replacement/upgrading programme to dwellings which fail to meet the decent homes standard or have solid fuel heating systems.

(d) The continuation of electrical upgrading and external envelope works programme (comprising works to the external fabric of Council dwellings including the roof, chimney, render and/or brick, guttering, fascia and soffit boards) on seven year cycles.

(e) The reintroduction of a bathroom replacement programme (at an enhanced service standard) during the third quarter of Year 1.

(f) The introduction of a programme of improvements to upgrade the communal areas of communal entrance flat blocks (including decoration, carpeting, door entry phone replacement and the redesign of certain entrance halls) as part of the external envelope works programme commencing during Year 1.

(g) The introduction of an external curtilage works programme (works to paths, boundary walls, fencing – where it adjoins a highway, public footpath or public area of open space only and gates) in Year 3.

(h) The provision of double glazing (fitted where possible in the existing window frames) to all Council dwellings without this facility during Years 2 to 8, as part of the external envelope works programme.

(i) A £1 million programme of environmental improvements to shared car parking areas and communal open space to be introduced in Year 3, in conjunction with the external curtilage works programme.

(j) The construction of 50 new Council houses as part of the redevelopment of the Reema flats on the Moss Road Estate, Chadsmoor, commencing in Year 3.

5. Conclusion(s) and Reason(s) for the Recommendation(s)

5.1 This report considers a proposed HRA Business Plan which has been recommended by Cabinet to implement the self-financing regime for Council housing finance. This regime will replace the current HRA subsidy system with effect from 1 April 2012.

5.2 The proposed HRA Business Plan (attached as Annex 1) and the associated programme of capital expenditure (attached as Annex 2) have been developed from the initial HRA Business Plan which was agreed by Cabinet for consultation on 21 July 2011. It is based on the Council's self-financing determinations in respect of the settlement payment and borrowing cap.

5.3 Account has also been taken of the results of the Initial Business Plan consultation exercise with tenants and the Housing Policy Development Committee, the review of capital scheme service standards considered by Cabinet on 17 November 2011 and the programme of improvements to communal entrance flat blocks agreed by Cabinet on 19 January 2012.

5.4 Details of the assumptions used in the draft Business Plan are set out in Annex 3, whilst a risk analysis of key assumptions is attached as Annex 4.

5.5 The proposed HRA Business Plan has been used by Cabinet to provide the financial framework within which their recommended three year Housing Revenue Account and HRA Capital Programme budgets for the period 2012-13 to 2014-15 have been formulated.

5.6 The HRA Business Plan will be reviewed annually as part of the budget process. However, should there be any significant changes to the Plan, following the conclusion of the Council's settlement payment borrowing, a further report will be submitted to Cabinet.

6. Other Options Considered

6.1 There are no other options associated with this report.

7. Report Author Details

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SCHEDULE OF ADDITIONAL INFORMATION

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Section 1

Contribution to Council Priorities

The formulation of a HRA Business Plan has been identified as a key action to support the service aim of "maintaining to the Council's housing stock to the Decent Homes Standard, as set out in the agreed 2011-12 "Place" Priority Delivery Plan".

Section 2

Contribution to Promoting Community Engagement

The initial Business Plan was subject to a consultation exercise with tenants through the Autumn edition of Hometalk. The Chase Tenants and Residents Federation have also been consulted.

Section 3

Financial Implications

The financial implications have been referred to throughout the report.

Section 4

Legal Implications

In accordance with the Localism Act 2011 the Council is required to implement "self-financing" on 1 April 2012.

Section 5

Human Resource Implications

A number of assumptions are made in the report and associated Business Plan. At the present time there is no anticipated impact on staffing requirements but this will be monitored and assessed through the life of the Business Plan.

Section 6

Section 17 (Crime Prevention)

A number of housing services which are funded through the HRA have crime prevention implications. Provision has been made throughout the Business Plan period to continue current policies and existing levels of service with regard to tackling problems of anti-social behaviour and neighbour complaints, including the provision of CCTV monitoring in the Benion Road area.

The associated programme of capital expenditure includes a number of measures to reduce anti-social behaviour. These include the renewal of door entry systems and the redesign of communal entrance halls to certain communal entrance flat blocks.

Section 7

Human Rights Act Implications

There are no identified implications in respect of the Human Rights Act 1998 arising from this report.

Section 8

Data Protection Act Implications

There are no identified implications in respect of the Data Protection Act arising from this report.

Section 9

Risk Management Implications

The failure to formulate a sustainable 30 year HRA Business Plan in accordance with the Government's HRA debt settlement proposals has been identified as a medium risk within the Council's Strategic Risk Register.

Subject to a sustainable Plan being formulated the target of low risk will be achieved.

A schedule of the risks associated with the proposed Business Plan is also attached as Annex 4.

Section 10

Equality and Diversity Implications

The HRA Business Plan will be subject to an Equality Impact Assessment.

Section 11

List of Background Papers

(a) Department of Communities and Local Government – "Implementing Self-Financing for Council Housing".

(b) Department of Communities and Local Government – "Self-Financing – Planning the Transition".

(c) HM Government "Laying the Foundations: A Housing Strategy for England".

(d) Department of Communities and Local Government – "Consultation on the draft determinations to implement self-financing for Council housing".

Section 12

Report History

Housing Revenue Account Business Plan	Cabinet	21 July 2011
Housing Revenue Account Business Plan	Housing Policy Development Committee	15 August 2011
Housing Revenue Account Capital Schemes – Review of Service Standards	Cabinet	17 November 2011

Improvements to the Communal Areas of Communal Entrance Flat Blocks	Cabinet	19 January 2012
Housing Revenue Account Business Plan	Cabinet	19 January 2012

Annexes

Annex 1: Proposed HRA Business Plan

Annex 2: Proposed HRA Business Plan: Programme of Capital Expenditure

Annex 3: Proposed HRA Business Plan Assumptions

Annex 4: Proposed HRA Business Plan: Risk Analysis

ANNEX 1

PROPOSED HRA BUSINESS PLAN

	1 2012.13	2 2013.14	3 2014.15	4 2015.16	5 2016.17	6-10 2017.22	11-15 2022.27	16-20 2027.32	21-25 2032.37	26-30 2037.42
Income										
Dwelling Rent	18,681,720	18,631,360	18,724,800	18,969,010	19,215,490	99,094,020	106,103,660	113,498,900	121,284,130	129,460,510
Shop Rent	128,000	129,280	130,570	131,880	133,200	686,260	721,270	758,080	796,770	837,420
Garage Rent	284,400	282,430	280,300	277,930	275,370	1,330,790	1,233,090	1,098,900	1,099,520	1,214,060
						-	-	-	-	-
Total Income	**19,094,120**	**19,043,070**	**19,135,670**	**19,378,820**	**19,624,060**	**101,111,070**	**108,058,020**	**115,355,880**	**123,180,420**	**131,511,990**
						-	-	-	-	-
Expenditure						-	-	-	-	-
						-	-	-	-	-
Repairs	4,206,110	4,224,880	4,266,364	4,331,602	4,397,754	22,995,196	24,632,544	26,510,724	28,147,929	30,385,178
Management	3,867,360	3,944,700	4,023,580	4,104,060	4,186,140	22,145,390	24,134,380	26,492,390	28,602,710	31,579,890
Interest - Current Debt	1,284,510	1,284,510	1,284,510	1,284,510	1,284,510	6,422,550	6,422,550	6,422,550	6,422,550	6,422,550
Interest - New Debt	2,510,780	2,510,780	2,660,780	2,660,780	2,660,780	13,303,900	13,303,900	13,303,900	11,952,400	11,952,400
New Build			2,367,953	2,325,162	1,103,638	(544,090)	(595,473)	(661,443)	(801,435)	(879,165)
Principal & MRP New Debt	-	-	150,000	150,000	150,000	10,187,429	10,287,429	10,387,429	8,837,429	8,537,429
Depreciation	3,232,530	3,224,130	3,240,510	3,282,870	3,325,630	17,327,490	18,555,850	19,852,210	21,217,390	22,651,710
						-	-	-	-	-
Total Expenditure	**15,101,290**	**15,189,000**	**17,993,698**	**18,138,984**	**17,108,452**	**91,837,864**	**96,741,180**	**102,307,759**	**104,378,973**	**110,649,991**
						-	-	-	-	-
Surplus / (Deficit)	**3,992,830**	**3,854,070**	**1,141,972**	**1,239,836**	**2,515,608**	**9,273,206**	**11,316,840**	**13,048,121**	**18,801,447**	**20,861,999**
						-	-	-	-	-
						-	-	-	-	-
						-	-	-	-	-
						-	-	-	-	-
Capital Resources						-	-	-	-	-
						-	-	-	-	-
RCCO	3,796,426	3,845,300	861,502	1,406,696	2,608,358	8,943,596	11,206,130	12,978,221	18,718,867	20,726,529
Capital B/f	3,000,000					-	-	-	-	-
Major Repairs Allowance	3,232,530	3,224,130	3,240,510	3,282,870	3,325,630	17,327,490	18,555,850	19,852,210	21,217,390	22,651,710
Borrowing			3,000,000							
Capital Receipts RTB	-	-	-	-	-	-	-	-	-	-
Capital Receipts Bungalows						-	-	-	-	-
Land Sales	50,000	50,000	50,000	50,000	50,000	2,250,000	125,000	125,000	-	-
						-	-	-	-	-
Total Capital Resources	**10,078,956**	**7,119,430**	**7,152,012**	**4,739,566**	**5,983,988**	**28,521,086**	**29,886,980**	**32,955,431**	**39,936,257**	**43,378,239**
						-	-	-	-	-
Capital Expenditure	6,900,240	9,028,160	7,111,070	5,993,170	5,975,310	27,884,020	30,346,880	32,138,330	27,856,490	30,242,180
						-	-	-	-	-
Surplus / (Deficit)	**3,178,716**	**(1,908,730)**	**40,942**	**(1,253,604)**	**8,678**	**637,066**	**(459,900)**	**817,101**	**12,079,767**	**13,136,059**
Cumulative Surplus	**3,178,716**	**1,269,986**	**1,310,929**	**57,324**	**66,002**	**703,068**	**243,169**	**1,060,270**	**13,140,037**	**26,276,095**

ANNEX 2

PROPOSED HRA BUSINESS PLAN : PROGRAMME OF CAPITAL EXPENDITURE

	1	2	3	4	5	6-10	11-15	16-20	21-25	25-30
	2012.13	2013.14	2014.15	2015.16	2016.17	2017.22	2022.27	2027.32	2032.37	2037.42
DFG's	562,000	578,860	596,230	366,120	373,440	1,982,230	2,188,560	2,416,340	2,667,800	2,945,500
PRC - Demolish flats	750,000	650,000	-	-	-	-	-	-	-	-
PRC - Reema Houses	350,000	1,000,000	50,000	-	-	-	-	-	-	-
PRC - Cornish Houses	-	-	1,000,000	150,000	50,000	-	-	-	-	-
Double Glazing	-	951,620	956,450	968,950	981,560	3,026,150	-	-	-	-
Unforseen Capital Works	100,000	102,000	104,040	106,120	108,240	574,530	634,350	700,420	773,300	853,770
Capital Adjusted for Property Numbers										
Tenant Improvements	5,000	5,100	5,200	5,300	5,410	28,710	31,680	34,960	38,610	42,610
Kitchens	1,075,480	1,083,200	735,370	744,980	754,680	3,365,200	7,386,850	8,143,470	5,627,250	5,140,410
Bathrooms	442,620	936,960	941,720	954,030	966,450	1,744,200	2,138,710	4,262,960	1,529,780	1,633,190
Central Heating	1,142,370	1,150,570	794,200	804,590	815,070	5,846,240	7,058,830	6,523,260	7,057,050	7,981,080
Electrics	398,920	401,780	371,320	376,180	381,080	1,986,500	2,127,980	2,276,650	2,433,250	2,597,760
External Site Works	-	-	416,030	421,470	426,960	3,138,380	3,169,270	1,957,540	1,317,430	1,284,150
External Fabric Work	1,480,250	1,490,870	609,240	617,200	625,240	4,689,810	4,322,090	3,677,640	5,457,860	6,775,470
Capital Budget	**6,306,640**	**8,350,960**	**6,579,800**	**5,514,940**	**5,488,130**	**26,381,950**	**29,058,320**	**29,993,240**	**26,902,330**	**29,253,940**
Additional Works										
Provision of Entry Phones	100,000	-	-	-	-	-	-	-	-	-
Bathroom Shower Option	143,850	290,280	291,750	295,560	299,410	660,100	829,630	1,605,380	541,830	578,430
Kitchen Floor Covering	53,750	54,830	37,710	38,470	39,240	181,910	458,930	539,710	412,330	409,810
Solid Fuel Central Heating	130,000	132,600								
Electrics Outside Lights	-	61,490	61,810	-	-	-	-	-	-	-
Works to entrances of Communal Flat Blocks	166,000	138,000	-	-	-	-	-	-	-	-
Environmental Improvements to communal areas	-	-	140,000	144,200	148,530	660,060	-	-	-	-
Additional Works Total	**593,600**	**677,200**	**531,270**	**478,230**	**487,180**	**1,502,070**	**1,288,560**	**2,145,090**	**954,160**	**988,240**
Total Capital Budget	**6,900,240**	**9,028,160**	**7,111,070**	**5,993,170**	**5,975,310**	**27,884,020**	**30,346,880**	**32,138,330**	**27,856,490**	**30,242,180**

ANNEX 3

PROPOSED HRA BUSINESS PLAN ASSUMPTIONS

1. CHANGES IN HRA ASSETS

(a) Dwelling changes A net decrease in the housing stock of 1042 dwellings is projected over the Business Plan period as a result of:-

- 900 Right to Buy sales (30 per annum throughout the Business Plan period.
- The sale of 25 Pre-1970 vacant one bedroom bungalows (5 per annum during years 1 to 5).
- The closure of 167 Reema flats on the Moss Estate, Chadsmoor during years 1 and 2 prior to demolition.
- The construction of 50 new Council houses during years 3 and 4.

(b) Garage changes The number of garages are expected to decrease by 360 units by year 20 as a result of demolitions to reflect the expected continued decline in demand.

2. RENT INCOME

(a) Dwelling Income Rent income is assumed to increase by RPI plus 0.5% until rent convergence by year 4. Thereafter, rents are assumed to increase annually by inflation only.

(b) Income from Other Assets Garage rents and income from shop leases are assumed to increase annually by inflation.

(c) Void Rate Annual rent income from dwellings has been reduced by a 1% void rate during years 1 to 5 of the plan and by 2% thereafter. A void rate of 25% has been assumed for garages throughout the plan period.

(d) Provision for Bad Debts The current provision for bad debts has been increased to £200,000 per annum in year 1 (and then inflated) to reflect the implications of the Welfare Reform Bill.

3. CAPITAL RECEIPTS

(a) Right to Buy and Vacant One Bedroom Bungalow Receipts It is assumed that the receipts generated from RTB sales and the sale of certain vacant one bedroom bungalows will continue to be transferred to the General Fund Capital Programme for the purposes of providing private sector disabled facilities grants and affordable housing and will not therefore be available as a housing capital resource.

(b) Land Sales It has been assumed that 100% of the receipts generated from HRA land sales will continue to be available as HRA capital resources. The receipt from the sale of the Mill Green Employment site has been programmed for year 8, whilst receipts from the sale of surplus garage sites are assumed to be £50,000 per annum during years 1 to 10 and £25,000 during years 11-20. No receipts are assumed thereafter.

(c) Other Capital Resources No resources from the Energy Efficiency Commitment Programme or other sources have been assumed.

4. SUPPORTING PEOPLE FUNDING

It is assumed that the current net cost of providing sheltered housing and a social alarms service, after the provision of supporting people funding will continue to be met through the HRA.

Note: Staffordshire County Council are reviewing their supporting people contracts with the Council and it is envisaged that the level of funding will be reduced. This is addressed further in the Risk Analysis (attached as Annex 6).

5. SELF-FINANCING SETTLEMENT PAYMENT

A self-financing settlement payment of £59.762 million has been assumed in accordance with the Council's draft self-financing determination.

6. INFLATION

The following rates have been assumed for Year 1:-

(a) Rent Income – 5.6%
(b) Building costs – 3%
(c) Other expenditure – 2%

Thereafter an inflation rate of 2% per annum has been assumed for both income and expenditure for the remainder of the Business Plan period.

7. DEPRECIATION

Depreciation of the Council's HRA assets has been assessed over a 75 year lifespan in accordance with CIPFA guidelines.

Annual depreciation is available as a HRA Capital resource.

8. WORKING BALANCE

A minimum working balance comprising 10% of annual expenditure has been assumed throughout the Business Plan period.

9. REVENUE CONTRIBUTION TO CAPITAL OUTLAY

It has been assumed that any surplus above the minimum amount required in working balances will be utilised as a Revenue Contribution to Capital Outlay.

10. BORROWING

Total borrowing to the Council's draft borrowing cap of £85.546 million has been assumed. This comprises:-

(a) £22.76 million of existing debt including the £3 million of additional borrowing undertaken in November 2011 to finance the 2011-12 HRA Capital Programme.

(b) £62.762 million of new borrowing to:-

(i) meet the draft £59.762 million settlement payment;

(ii) provide £3 million for additional capital expenditure.

11. INTEREST RATES

The following interest rates for borrowing have been assumed:-

(a) Existing debt of £19.76 million at the average rate of 6.5% per annum.

(b) Existing debt of £3 million (November 2011 borrowing) at the average rate of 4.01% per annum.

(c) New borrowing to meet the draft settlement payment of £59.762 million at 4% per annum *[1]

(d) Additional borrowing for capital expenditure (in year 3 of the Business Plan) at 5% per annum.

* Note: There is considerable uncertainty regarding the interest rate for the Council's settlement payment borrowing. This is addressed further in the Risk Analysis (attached as Annex 6).

12. WORKS TO PRE-REINFORCED CONTRETE DWELLINGS

It has been assumed that structural reinstatement works will be undertaken to:-

(a) The 63 Reema houses on the Moss Estate, Chadsmoor during Years 1 and 2.

(b) The 44 Cornish Houses in the Rowley Close area, Pye Green during Years 3 and 4.

It is further assumed that the 167 Reema flats on the Moss Estate, Chadsmoor will be demolished and financial provision to facilitate the re-housing of existing residents through the provision of Home Loss and Disturbance payments is included for years 1 and 2. No provision has been made for demolition costs as it is assumed that this will be met as part of the redevelopment.

13. PLANNED MAINTENANCE

It is assumed that planned maintenance works will be undertaken with Decent Homes/Statutory Repair obligations requirements evidenced by the 2009 stock condition survey with the following enhancements:-

(a) Reintroduction of the bathroom replacement programme brought forward to commence during the third quarter of Year 1.

(b) Window replacement brought forward to Years 2-8 to enable double glazing to be fitted to the majority of existing window frames.

(c) Additional provision to:-

- renewal of existing entry phones;
- redesign the communal entrance halls to certain flat blocks;
- introduce a limited programme of environmental improvements.

(d) Inclusion of a contingency sum of £100k per annum to meet the cost of unforeseen capital works.

Note: The Decent Homes/statutory repair obligation requirements represent the minimum standard for the future maintenance of the housing stock and results in works being deferred wherever possible, with no provision for improvements other than those required to meet the decent homes standard. In particular, no provision is made for:-

(a) Fencing replacement unless it adjoins a highway, public footpath or public area of open space.

(b) Works to garages.

14. CAPITAL SCHEME SERVICE STANDARDS

It is assumed that structural reinstatement and planned maintenance works will be undertaken in accordance with the capital scheme service standards agreed by Cabinet on 17 November 2011.

A further enhancement to replace the 62 solid fuel heating systems which remain in the Council's housing stock with gas central heating as part of the central heating programme has also been included as a result of tenant consultation.

15. NEW BUILD

Provision to construct 50 new Council houses on Council owned land has been included in Years 3 and 4 of the Business Plan.

The full cost of providing these additional dwellings has been included and no account has been taken of the potential availability of affordable housing grant from the Homes and Communities Agency or as a result of additional capital receipts which may be realised from the Government's proposed Right to Buy policy changes.

16. RESPONSIVE AND CYCICAL MAINTENANCE

Costs have been reduced annually to reflect the reduction in the housing stock throughout the Business Plan period. Establishment costs have also been reduced by 4% in year 11 and a further 7% in year 21.

A continuation of current policies and existing levels of service are assumed throughout the Business Plan period and include:-

(a) The servicing of all gas and solid fuel heating appliances and the continuation of a "three star" maintenance service.

(b) A responsive repairs service delivered in accordance with current timescales.

(c) Works to void dwellings in accordance with the Council's lettable standard including the provision of a second door to any bungalows which remain without this facility.

(d) Annual contributions to reserve accounts to provide for:-

- The replacement of door entry systems and sheltered housing scheme lifts when required.
- The maintenance of the internal communal areas of flat blocks on a 7 year cycle.
- A stock condition survey every five years.

17. DISABLED FACILITIES WORKS

Provision has been made throughout the Business Plan period to provide for the projected need to undertake disabled facilities works for disabled households living in Council accommodation. The provision includes resources to remove the current waiting list during Years 1 to 3.

18. HOUSING MANAGEMENT

Provision has been made throughout the Business Plan period to continue current policies and existing levels of service in respect of rent collection and arrears recovery, the allocation and letting of vacant dwellings, tenant participation and estate management including "estate walks" and action regarding anti-social behaviour and neighbour complaints. Establishment costs have however, been reduced by 4% in year 11 and a further 7% in year 21 to reflect changes in the housing stock.

The assumed level of service includes:-

(a) The provision of the current Vulnerable Tenants Grass Cutting and Internal Decoration service to households who are aged over 70 or who are in receipt of a defined benefit.

(b) Continued support to the Chase Tenants and Residents Federation and individual tenants and residents associations including annual grants, the provision of office accommodation and the secondment of a part-time support worker.

(c) The continuation of the Benion Road area CCTV system.

(d) The production and distribution of the quarterly "Hometalk" Magazine.

(e) Insurance of HRA property assets.

(f) The provision of an annual minor works budget of £75,110 (inflated).

(g) The net cost of providing sheltered housing and communal alarm monitoring service following the receipt of supporting people funding from Staffordshire County Council.

19. DEBT REPAYMENT

It is assumed that:-

(a) Existing debt of £19.76 million will continue to be serviced on an interest only basis.

(b) Existing debt of £3 million (November 2011 borrowing) will be met through a minimum revenue provision over a 13 year period commencing in 2018-19.

(c) New borrowing to meet the draft £59.762 million settlement payment will be met through a minimum revenue provision over a 35 year period commencing in 2017-18.

(d) The additional estimated capacity for new borrowing of £3 million will be undertaken on a maturity basis over 20 years.

20. RESOURCES CARRIED FORWARD FROM 2011-12

It is assumed that £4.4 million of resources will be carried forward to 2012-13 (Year 1 of the Business Plan).

This sum includes £3 million of resources regenerated following the refinancing of the 2011-12 HRA Capital Programme in November 2011.

ANNEX 4

PROPOSED INITIAL HOUSING REVENUE ACCOUNT BUSINESS PLAN – RISK ANALYSIS

	ASSUMPTION	**RISK**	**COMMENTS**
1.			
	Demand for the Council's Housing Stock	Low	Evidence from the "C3 Sub-Regional Housing Market Assessment" and the housing register shows a substantial demand for the Council's housing stock. No dwellings are considered to be "difficult to let", although some properties are "less popular" and difficulties can be experienced in letting:- - sheltered accommodation generally and in particular bedsits with shared bathroom facilities - Certain older one bedroom bungalows - The Reema two bedroom flats at the Moss Estate, Chadsmoor The effects of the recession on the private housing market is likely to increase the overall demand for the Council's housing stock. However, even when the market was buoyant there was no decrease in the number of applicants on the housing register. Improvement works are unlikely to improve the let ability of the properties which have been identified as "less popular" and this will be monitored to ascertain whether applicant property eligibility criteria should be extended.
2.	Dwelling Sales	Medium	The Government through the National Housing Strategy (laying the Foundations) have announced its intention to increase the amount of discount for Right to Buy (RTB) sales to double the current average. Details of the proposed change are set out in a DCLG consultation paper. Whilst the proposed change will increase the number of RTB sales, the magnitude of the increase is difficult to estimate, particularly in view of the current economic situation and mortgage constraints.

			A total of 900 RTB Right to Buy sales have been forecast throughout the Business Plan period (at a rate of 30 dwellings per annum) and reflects the anticipated increase in sales in accordance with the Governments proposals. The estimated rate is however, low when compared to the RTB sales of 222 in 2002-2003 and 239 in 2003-04. The "voluntary" sale of 25 vacant one bedroom bungalows is also forecast during years 1-5 in accordance with the disposal policy agreed by Cabinet on 15 September 2011. These sales are however, dependant upon vacant bungalows meeting the agreed disposal criteria. Where possible Business Plan expenditure has been reduced to reflect the reduction in the housing stock including reviews of the Housing Divisions Establishment in years 10 and 20. The Government have assumed RTB sales of 15 per annum when calculating the Council's settlement payment and have proposed that the "first call" on the net receipts from additional sales will be the repayment of housing debt associated with the sold dwellings. Any increase in RTB sales will however reduce the amount of rent income, and the number of dwellings to support non-variable costs.
3.	Rent Income	Medium	Rent income has been assumed to increase by 0.5% plus inflation until year 4 of the Business Plan and by inflation only thereafter. Annual rent income has been reduced by 1% per annum for the first five years and 2% thereafter to reflect the loss of rent income through voids. An annual void rate of 1% has been maintained for many years but cannot be forecast throughout the Business Plan period. A 2% rate is therefore considered prudent for Year 6 and beyond. Changes to the benefits system through the

			Welfare Reform Bill will have implications on the collection of rent income. The amount of "housing benefit" received by people of working age will be capped and wherever possible payments will be made directly to households rather than to landlords. These changes will impact on tenants' ability to pay their rent and as a consequence the provision for bad debts has been increased throughout the Business Plan period.
4.	Generation of Capital Receipts	Low	No capital receipts from RTB sales and the voluntary sale of certain vacant one bedroom bungalows have been included in the Business Plan. This will continue to be transferred to the General Fund Capital Programme to support the provision of private sector disabled facilities grants and affordable housing. The capital receipts from HRA land sales have however, been included in the Business Plan to support the Capital Programme. With the exception of the Mill Green Employment site land these sales have been limited to the sale of surplus garage sites and other small areas of land. The capital receipts generated from this source have been limited to £50,000 per annum during years 1-10 of the plan and £25,000 per annum during years 11-20. No resources are assumed thereafter. A capital receipt of £2 million is however forecast to be generated from the sale of the Mill Green Employment site during year 8 of the plan. Whilst the current economic situation and high infrastructure costs constrain the disposal of the site, the Council is pursuing a number of initiatives which could result in the receipt being received over the next three years.
5.	Stock Condition Requirements	Low	The Business Plan has been informed by the results of the 2009 stock condition survey (undertaken by Savills Commercial Ltd) which have been updated to reflect completed works and estimated cost of the structural condition of Pre-Reinforced Concrete dwellings is provided by the 2007 Structural Assessment Report undertaken by Michael

			Dyson Associates. Provision has been made in the Plan for the planned maintenance investment requirements to meet the decent homes standard and other statutory obligations. This generally represents the minimum standard for future maintenance with works being deferred wherever possible. The provision for bathroom and window replacement works have however been brought forward within the plan, whilst additional provision has been made for works to communal entrance flats, the replacement of entry phones and environmental improvements. The costs of the structural reinstatement of the Reema houses on the Moss Estate and the Cornish houses in the Rowley Close area are also included in the plan, together with the costs associated with the demolition of the Reema flats on the Moss Estate. In addition, provision has been made for an updated stock condition survey every five years and a contingency budget of 100k per annum to meet unforeseen works. As the Business Plan generally provides the minimum standard for future maintenance, additional planned maintenance works could be indentified by future surveys which can not be met from the contingency budget. In addition, there may be a need to “bring forward” further works are deferred in the 2009 survey. Regular surveys will however, ensure that any stock condition changes are identified at an early stage and that planned maintenance programmes can be adjusted accordingly.
6.	Inflation	Medium	Inflation for Year 1 (2012-13) has been predicted as follows:- - Rent Income : 5.6% - Building Costs: 3% - Other Costs: 2% Therefore annual inflation for both income and expenditure has been forecast at 2% per annum throughout the Business Plan.

			Provided that these rates are consistent there would be no significant implications on the plan. However, maintenance costs form a major component of the plan and these could increase above the general rate of inflation, particularly as a result of increases in the price of building materials and waste disposal. The proposed maintenance programmes will be delivered through contracts based on “partnering arrangements”, which would seek to mitigate abnormal building cost increases through efficiency savings and the alternative procurement of materials. However, significant increases would necessitate planned maintenance programmes to be rephrased.
7.	Changes to the Council’s Settlement Payment	Low	The Localism Act 2011 allows for further settlement payments between the Council and the Government where there has been a change in one of the factors used to calculate the initial payment. The Government state that:- “This provision is necessary to protect both the Government and Local Authorities from being locked into a deal that because of changes to policy affecting either a landlords income or costs, no longer reflects a fair valuation and could have a material impact on viability. This could be a major change in national rental policy or a significant increase in the environmental standards expected of Council housing”. It is unlikely that any change would result in the Council receiving a settlement payment from the Government and that if this provision is used, it would result in the Council making a further settlement payment to the Government. Any potential changes would however, be subject to consultation before implementation.

8.	Supporting People	High	The current net cost (latter the receipt of Supporting People Funding) of providing sheltered housing and social alarm services has been included in the Business Plan, together with an annual contribution to a "Social Alarms Replacement" reserve. Staffordshire County Council are however, reviewing their supporting people contracts with the Council and it is envisaged that the level of funding will be reduced. In particular, it is considered that future social alarm funding may be allocated in accordance with a households need for a social alarm service rather than being based on the number of properties which are provided with a social alarm facility as at present. A reduction in social alarm supporting people funding would require additional HRA expenditure, a reduction in the number of households who received the service, or the introduction of a separate charge. If additional HRA expenditure is to be provided through the Business Plan, this may regulate a reduction in other housing services.
9.	Debt Payment	Medium	The Government has decided that, for the specific purpose of new borrowings in relation to Self Financing, it will be reducing the margin used to calculate interest rates charged by the Public Works Loan Board for loans from an average of 100 basis points above Gilts to the margins used before the Spending Review (October 2010). This reduced rate will "mirror" changes in the standard Public Works Loan Board variable interest rate. Public Works Loan board interest rates are currently at a low level with the National Loans Fund Interest Rates (the equivalent pre CSR rate) currently standing at 3.25%. The Council cannot however take advantage of these (by borrowing now) to meet the settlement payment as the self-financing regime only allows settlement payment

			borrowing to take place on the specified date of 28 March 2012. As a result the interest rate in respect of the Council's settlement payment borrowing will be that which applies on 26 March 2012. An interest rate of 4% has been assumed for the settlement payment borrowing within the draft plan.