

Report of:	Head of Housing and Waste Management
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Key Decision:	No
Report Track:	Cabinet: 20/11/14

CABINET
20 NOVEMBER 2014
HOUSING REVENUE ACCOUNT BUSINESS PLAN REVIEW

1 Purpose of Report

- 1.1 To review the agreed Housing Revenue Account Business Plan.

2 Recommendations

- 2.1 That the review of the Housing Revenue Account (HRA) Business Plan is noted including:-
- (i) The base HRA Business Plan attached as Appendix 1.
 - (ii) The associated programme of capital expenditure attached as Appendix 2.
 - (iii) The revised HRA Business Plan assumptions attached as Appendix 3.
 - (iv) The changes in assumptions from the agreed Business Plan attached as Appendix 4.
 - (v) The risk analysis attached as Appendix 5
- 2.2 That Cabinet consider the potential use of the estimated cumulative surplus of £3.22 million in 2017-18 when formulating proposed three year HRA revenue and capital budgets for the period 2015-16 to 2017-18.

3 Key Issues and Reasons for Recommendation

- 3.1 The agreed HRA Business Plan has been reviewed as part of the 2015-16 budget process.
- 3.2 This review has resulted in the formulation of an amended Business Plan (attached as Appendix 1) and an amended associated programme of capital expenditure (attached as Appendix 2). Details of the assumptions used in formulating the Business Plan are attached as Appendix 3, whilst details of the changes from the agreed Business Plan are set out in Appendix 4. A risk analysis of the Business Plan assumptions is also attached as Appendix 5.

- 3.3 In overall terms the changes have a beneficial impact on the business Plan and result in an estimated cumulative surplus of £3.22 million in Year 6 (2017-18).
- 3.4 It is suggested that Cabinet consider the potential use of the estimated cumulative surplus when formulating the proposed three year HRA revenue and capital budgets for the period 2014-15 to 2016-17.

4 Relationship to Corporate Priorities

- 4.1 The review of the HRA Business Plan has been identified as a specific action within the Housing Portfolio section of the agreed 2014-15 "Place" Priority Delivery Plan.
- 4.2 The HRA Business Plan also contributes to the following HRA service aims, which form part of the 2014-15 "Place" Priority Delivery Plan i.e.
- Increase the supply of affordable housing.
 - Maintain and improve the facilities and energy efficiency of the Council's housing stock.
 - Manage the Council's housing stock.
 - Support vulnerable Council tenants to live independently in their own homes.

5 Report Detail

- 5.1 Cabinet on 21 November 2013 received a revised 30 year Housing Revenue Account Business plan for the continued implementation of the devolved "self-financing system" which replaced the previous HRA subsidy regime.
- 5.2 As agreed by Council on 15 February 2012, the HRA Business Plan is to be reviewed annually as part of the budget process. The current Business Plan (as reported to Cabinet on 21 November 2013) has therefore been reviewed in order that a revised plan can be determined. This will then provide the financial framework within which the Council's three year HRA revenue and capital budgets are determined for the period 2015-16 to 2017-18.
- 5.3 The income, resource and expenditure estimates within the agreed HRA Business Plan have been reviewed in accordance with known and projected changes. This exercise has resulted in the formulation of an amended 30 year Business plan (attached as Appendix 1) and an amended accompanying programme of capital expenditure (attached as Appendix 2). Details of the assumptions used in formulating the amended Business Plan are also attached as Appendix 3.
- 5.4 Certain key Business Plan assumptions remain unchanged. These include :-
- (i) An estimated 820 Right to Buy (RTB) sales over the remaining Business Plan period. With resources of £15,000 per RTB sales being assumed as a Business Plan resource.
 - (ii) Repayment of the £59.245 million settlement payment borrowing through a minimum revenue provision over a 45 year period, commencing in Year 6 (2017-18)

- (iii) Interest rates of 3.48% for the settlement payment borrowing and 5% for new borrowing.
- (iv) The continued transfer of certain RTB receipts to the General Fund Capital Programme to provide private sector disabled facilities grants.
- (v) Planned maintenance programmes to ensure that the housing stock continues to meet the decent homes standard and other statutory obligations, together with other agreed improvements, including the provision of double glazing.
- (vi) The continuation of other existing policies and service standards unless otherwise stated.

5.5 Changes have, however, been made to a number of the assumptions which were used to formulate the agreed Business Plan reported to Cabinet on 29 November 2014. These changes are set out in Appendix 4 and include :-

- (i) Annual rent increases in accordance with the revised national rent policy of the Consumer Price Index plus 1% for the 10 year period 2015-16 to 2024-25.
- (ii) Total borrowing to the Council's revised borrowing cap of £86.079 million following a successful bid for £1.015 million additional borrowing approval.
- (iii) Additional estimated Capital resources of:
 - £1,472,000 as a result of Affordable Housing Grant from the Homes and Communities Agency as reported to Cabinet on 21 August 2014.
 - £150,000 of Section 106 monies and £428,000 of capital receipts.
- (iv) The removal of supporting people grant funding for social alarms and sheltered housing following the withdrawal of funding by Staffordshire County Council as considered by Cabinet on 17 July 2014.
- (v) Re-profiling of capital expenditure in respect of :-
 - The Moss Road Reema Flats Redevelopment Scheme following tender acceptance.
 - The replacement of the Council's social alarms as agreed by Cabinet on 17 July 2014.
 - Kitchen replacement to account for programme reductions and the increased need for such works to void dwellings.
 - Upgrading of central heating systems in accordance with the decent homes standard.
- (vi) Additional expenditure of ;-
 - £2,030,000 during Years 4 and 5 for the Green Lane new build scheme as detailed in a separate report elsewhere on this agenda.
 - £300,000 during Years 4 to 6 to introduce a programme to replace defective tarmac drives.
 - £200,000 in Year 4 for additional re-roofing work in respect of the External and Environmental Works Programme (£175,000) and further asbestos testing and removal works (£25,000)

5.6 In overall terms, the above changes have a beneficial impact on the Business Plan and results in an estimated cumulative surplus of £3.22 million in Year 6 (2017-18). It is suggested that Cabinet consider the potential use of this estimated cumulative surplus

as part of formulating proposed three year HRA revenue and capital budgets (for the period 2015-16 to 2017-18) for consideration by Council on 11 February 2015.

6 Implications**6.1 Financial**

The financial implications are set out throughout the report

6.2 Legal

None

6.3 Human Resources

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

6.4 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.

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

A Business Plan risk assessment is attached as Appendix 5.

6.8 Equality & Diversity

The revised Business Plan has been subject to a further Equality Impact Assessment as part of this review. As all existing policies and service standards are to be maintained no negative impacts have been identified.

6.9 Best Value

None

7 Appendices to the Report

Appendix 1:	HRA Business Plan
Appendix 2:	HRA Business Plan: Programme of Capital Expenditure.
Appendix 3:	HRA Business Plan: Assumptions
Appendix 4:	HRA Business Plan: Changes in Assumptions from the agreed HRA Business Plan
Appendix 5:	Business Plan Risk Assessment

Previous Consideration

Housing Revenue Account Business Plan	Council	15 February 2012
Housing Revenue Account Business Plan	Cabinet	20 November 2013
Housing Revenue Account Capital Programmes 2013-14 and 2014-15	Cabinet	17 July 2014
Removal of Supporting People Grant by Staffordshire County Council	Cabinet	17 July 2014
Affordable Homes Programme 2015-18	Cabinet	21 August 2014 (Portfolio update)
Rent setting policy	Cabinet	21 August 2014

Background Papers

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APPENDIX 1

HRA BUSINESS PLAN

	3 2014.15	4 2015.16	5 2016.17	6 2017.18	7 2018.19	7-10 2019.22	11-15 2022.27	16-20 2027.32	21-25 2032.37	26-30 2037.42
Income										
Dwelling Rent	20,037,610	20,300,270	20,608,530	20,791,720	21,083,840	66,339,700	120,833,320	130,098,730	139,135,700	148,644,460
Shop Rent	130,570	131,880	133,200	134,530	135,880	415,850	721,270	758,080	796,770	837,420
Garage Rent	282,920	281,670	286,670	280,930	288,890	878,250	1,561,890	1,721,260	1,880,640	2,059,130
New Build	2,580	7,340	42,370	144,080	156,600	501,750	1,106,610	1,328,800	1,708,180	1,936,880
Item 8 Credit	153,560	3,170								
Total Income	20,607,240	20,724,330	21,070,770	21,351,260	21,665,210	68,135,550	124,223,090	133,906,870	143,521,290	153,477,890
Expenditure										
Repairs	4,207,340	4,190,080	4,193,200	4,213,740	4,280,440	13,196,140	23,220,570	24,977,840	26,498,330	28,590,090
Management	4,408,040	4,497,820	4,606,990	4,708,500	4,857,630	15,354,620	27,504,870	30,186,430	32,631,670	36,030,990
Interest - Current Debt	1,188,632	1,188,632	1,188,632	1,188,632	1,188,632	3,565,896	5,943,160	5,943,160	5,943,160	5,943,160
Interest - New Debt	2,182,030	2,457,630	2,457,630	2,457,630	2,457,630	7,372,890	12,288,150	12,288,150	11,290,150	11,064,150
Principal & MRP New Debt	-	50,750	50,750	1,367,310	1,817,310	5,301,930	8,836,550	8,936,550	8,482,050	6,582,800
Disc. Housing Payments	50,000	50,000	-							
Depreciation	3,206,560	3,226,170	3,272,000	3,296,740	3,343,230	10,314,120	18,171,230	19,458,050	20,815,940	22,245,660
Total Expenditure	15,242,602	15,661,082	15,769,202	17,232,552	17,944,872	55,105,596	95,964,530	101,790,180	105,661,300	110,456,850
Surplus / (Deficit)	5,364,638	5,063,248	5,301,568	4,118,708	3,720,338	13,029,954	28,258,560	32,116,690	37,859,990	43,021,040
Capital Resources										
RCCO	4,541,000	7,115,950	5,290,760	3,972,370	3,649,110	12,972,960	28,144,320	32,040,360	37,777,790	42,878,080
Capital B/f	144,624									
Mill Green										
Energy Efficiency	1,337,310									
Major Repairs Allowance	3,053,000	3,223,000	3,272,000	3,296,740	3,343,230	10,314,120	18,171,230	19,458,050	20,815,940	22,245,660
Borrowing	3,022,000	1,015,000								
Debt Repay Receipt	300,000	300,000	450,000	450,000	450,000	1,350,000	2,250,000	2,250,000	2,250,000	2,250,000
S106 Monies		100,000	50,000							
Capital Receipts Bungalows		250,000	178,000							
Transfer from Alarm Reserve	120,000	180,000	-	-						
HCA Funding	-	-								
Renewal Heat Premium Grar	26,000									
Transfer from IT Reserve	440,000	260,000								
Affordable Housing Grant	846,000	40,000	316,000	336,000						
Land Sales	50,000									
Total Capital Resources	13,879,934	12,483,950	9,556,760	8,055,110	7,442,340	24,637,080	48,565,550	53,748,410	60,843,730	67,373,740
Capital Expenditure	11,460,290	12,155,240	10,692,480	10,180,670	5,331,560	18,932,780	33,711,280	36,040,930	32,176,810	35,378,550
Surplus / (Deficit)	2,419,644	328,710	(1,135,720)	(2,125,560)	2,110,780	5,704,300	14,854,270	17,707,480	28,666,920	31,995,190
Cumulative Surplus	6,150,128	6,478,838	5,343,118	3,217,558	5,328,338	11,032,638	25,886,908	43,594,388	72,261,308	104,256,498

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APPENDIX 2

HRA BUSINESS PLAN: PROGRAMME OF CAPITAL EXPENDITURE

	3 2014.15	4 2015.16	5 2016.17	6 2017.18	7 2018.19	8-10 2019.22	11-15 2022.27	16-20 2027.32	21-25 2032.37	25-30 2037.42
DFG's	494,910	500,000	510,000	520,200	388,520	1,212,810	2,188,560	2,416,340	2,667,800	2,945,500
Structural Reinstatement of PRC Dwelling	60,000									
PRC - Demolish flats	-	-	-	-	-	-	-	-	-	-
PRC - Reema Houses	177,890	-	-	-	-	-	-	-	-	-
Double Glazing	1,164,310	1,327,650	1,302,850	1,366,170	-	-	-	-	-	-
New Build - Moss Road	305,000	2,171,000	1,638,000	1,968,000	142,000	-	-	-	-	-
New Build - Garage Sites	-	-	1,580,000	1,580,000	80,000	-	-	-	-	-
New Build - Green Lane	-	1,980,000	50,000	-	-	-	-	-	-	-
Unforeseen Capital Works	76,000	106,120	107,180	108,250	110,420	344,690	622,000	686,780	758,250	837,130
Voids Properties Works	500,000	512,000	324,480	334,210	344,240	1,095,950	2,057,050	2,384,640	2,764,460	3,204,750
Replacement Vehicles	245,020	100,000	24,000	110,000	-	-	-	-	-	-
Demolition of Garages	20,000	20,000	20,000	20,000	20,000	60,000	100,000	100,000	100,000	100,000
Alarm Replacement	120,000	180,000								
Housing Management System	440,000	260,000								
Second Doors To bungalows	-	-	-	-	-	-	-	-	-	-
Lift Refurbishment Caxton Crt	-	-	-	-	-	-	-	-	-	-
Unauthorised Alterations	-	-	-	-	-	-	-	-	-	-
Removal of Asbestos	100,000	100,000	81,120	83,550	86,060	273,980	514,250	596,160	691,100	801,200
Works to entrances of Communal Flat Blo	-	-	-	-	-	-	-	-	-	-
Repurchase vacant former council dwellin	500,000									
Environmental Improvements to commun	140,000	145,600	151,420	155,960	160,640	355,880	-	-	-	-
Replace Fire Alarms Sheltered Schemes	40,000									
Resurfacing of Drives	100,000	100,000	100,000							
Resurfacing of Service Roads	24,000									
Future Enhancements		37,000	138,000							
Capital Adjusted for Property Numbers										
Tenant Improvements	5,000	5,000	5,000	5,050	5,150	16,080	29,030	32,060	35,400	39,080
Kitchens	463,000	367,340	371,010	374,730	735,960	2,184,610	7,836,850	8,581,180	5,894,650	5,397,190
Bathrooms	1,203,000	1,314,950	1,378,320	679,070	478,780	1,478,510	3,302,930	6,413,880	2,412,990	2,588,610
Central Heating	933,850	1,040,630	1,070,090	1,082,390	894,840	3,999,830	7,061,510	6,716,430	7,273,260	8,233,810
Electrics	645,310	560,080	573,860	579,400	585,070	1,742,730	2,005,320	1,878,110	2,228,130	2,532,050
External Works	3,689,000	1,327,870	1,267,150	1,213,690	1,299,880	6,167,710	7,993,780	6,235,350	7,350,770	8,699,230
Provision of Dropped Kerbs	14,000	-	-	-	-	-	-	-	-	-
Conversion works to "Type 40" Bungalows	-	-	-	-	-	-	-	-	-	-
Capital Budget	11,460,290	12,155,240	10,692,480	10,180,670	5,331,560	18,932,780	33,711,280	36,040,930	32,176,810	35,378,550

REVISED HRA BUSINESS PLAN ASSUMPTIONS(CABINET 20 NOVEMBER 2014)1. CHANGES IN HRA ASSETS

- (a) Dwelling Changes. A net decrease in the housing stock of 699 dwellings is projected over Years 3 to 30 of the Business Plan as a result of :-
- 820 Right to Buy sales (20 per annum during Years 3 and 4 and then 30 per annum throughout the remainder of the Business Plan period).
 - The construction of 113 new Council houses during Years 4, 5 and 6.
 - The acquisition of 8 former Council dwellings during Years 3 and 4.
- (b) Garage changes. The number of garages is expected to decrease by 250 units by Year 10 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 annually by the Consumer Price Index plus 1% for the 10 year period 2015-16 to 2024-25 in accordance with the revised national rents policy. A rent increase of 2.5% has been assumed for Year 4 (2015-16) with annual increases of 2% for Years 5 and 6. Thereafter a rent increase of 3% has been assumed for Years 7 to 13 and a rent increase of 2% (inflation only) for the remainder of the Business Plan Period.
- (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 void dwellings has been reduced by a 1.5% void rate during Years 3, 4 and 5 and 2% throughout the remainder of the Business Plan period. A void rate of 37% has been assumed for garages in Year 3 reducing by 3% per annum to Year 6. A 2% annual decrease is then assumed to Year 10 when void garages are projected to be 15% and this level has been assumed for the remainder of the Business Plan period.
- (d) Provision for Bad Debts. Provision for bad debts has been set at £205k in Year 3, which has then been inflated for the remainder of the Business Plan period.
- (e) Service Charges. An annual service charge has been assumed with effect from Year 4 to recover the cost of providing additional services to the Council's sheltered schemes following the withdrawal of Supporting People Funding.

3. CAPITAL RECEIPTS

- (a) Right to Buy Receipts. Resources of £15k per RTB dwelling sale have been assumed as a HRA Business Plan resource as a result of “allowable attributable debt” throughout the Business Plan period. It is further assumed that receipts to the value of the “local authority share cap” will then continue to be transferred to the General Fund Capital Programme for the purpose of providing private sector disabled facilities grants. Any additional receipts would be available for the purpose of providing “replacement affordable housing” but no assumption regarding potential availability has been made at this stage.
- (b) Vacant Bungalow Receipts. Accumulated receipts of £428k generated from the sale of vacant one bedroom bungalows have been included in Year 4 & 5 (2015-17) to meet part of the cost of the Green Lane, Rugeley new build scheme.
- (c) Land Sales. Receipts of £50k have been assumed in Year 3. Thereafter, it is assumed that small HRA sites will be used to support the Council’s new build programme.

4. SECTION 106 MONIES

Section 106 monies from the Wharf Road development, Rugeley, totalling £150k have been included in Year 4 & 5 (2015-17) to meet part of the cost of the Green Lane, Rugeley new build scheme. The use of no other Section 106 monies have been assumed.

5. ENERGY COMPANY OBLIGATION MONIES

Resources of £1.337 million have been assumed in Year 3 (2014-15) as a result of an Energy Efficiency Funding Agreement with British Gas. No resources have been assumed thereafter.

6. AFFORDABLE HOUSING GRANT

Following successful bids to the Homes and Communities Agency, £1.538 million of Affordable Housing Grant has been included in Years 3 to 6 to facilitate the provision of 92 new dwellings (£1.472 million) and the repurchase of 3 vacant former Council dwellings (£66k).

7. SUPPORTING PEOPLE FUNDING

Supporting people funding of £197k for sheltered housing (90k) and communal alarms (£107k) has been assumed for Year 3. No supporting people funding is assumed thereafter, following the withdrawal of the grant funding by Staffordshire County Council.

8. SELF-FINANCING SETTLEMENT PAYMENT

A self-financing settlement payment of £59.245 million has been included in accordance with the Council's self-financing determination.

9. INFLATION

The following rates have been assumed for Years 3 to 6

	Year 3	Year 4	Year 5	Year 6
Rent Income	3.2%	1.5%	1%	1%
Building Costs	4%	4%	4%	4%
Energy costs	5%	2%	2%	2%
Other Expenditure	2%	1%	1%	1%

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

Provision has also been made for additional employer contributions to the Staffordshire Pension Fund (with effect from Year 4) and National Insurance contributions (with effect from Year 5).

10. 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.

11. WORKING BALANCE

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

12. BORROWING

Total borrowing to the Council's revised borrowing cap of £86.044 million has been included. This comprises:-

- (a) £80.532 million of existing debt including the £59.245 million of borrowing undertaken in March 2012 to finance the Council's settlement payment and the reduction in debt of £1.475 million due to the appropriation of the land at Mill Green to the General Fund.
- (b) £1.475 million of borrowing in Year 2 for the Mill Green appropriation.
- (c) £3.022 million of new borrowing in Year 3 for additional capital expenditure.
- (d) £1.015 million of new borrowing in Year 4 for the Green Lane new build scheme.

13. INTEREST RATES

The following interest rates for borrowing have been included or assumed :-

- (a) Existing debt of £18.287 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) Existing debt of £59.245 million (settlement payment borrowing) at 3.48% per annum.
- (d) New borrowing of £1.475 million (Mill Green Land Appropriation) in Year 2 of the Business Plan at 5% per annum.
- (e) New borrowing of £3.022 million (for additional capital expenditure) in Year 3 of the Business Plan at 5% per annum.
- (f) New borrowing of £1.015 million (for the Green Lane Housing Scheme) in Year 4 of the Business Plan at 5% per annum.

14. 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) The continuation of the bathroom replacement programme following its reintroduction during Year 1.
- (b) Window refurbishment including the provision of double glazing during Years 2 to 6
- (c) The completion of external insulation to solid wall rendered properties in Year 3
- (d) Additional provision for:-
 - The renewal of existing entry phones;
 - A limited programme of environmental improvements
 - Increased rewiring of dwellings as part of the electrical upgrading programme
 - Installation of second doors to bungalows
 - Planned maintenance of outhouses
 - The replacement of tarmac drives
 - Planned maintenance of garages situated within the curtilage of Council dwellings or in a prominent location on the Council's housing estates
 - The replacement of the social alarm system during Years 3 and 4
- (e) Inclusion of a contingency sum of £100k per annum to meet the cost of unforeseen capital works.

Notes: 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:-

- (i) Fencing replacement unless it adjoins a highway, public footpath or public area of open space.
- (ii) Planned maintenance works to garages situated on "off road" garage sites.

15. 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 as agreed by Cabinet on 15 March 2012, 21 June 2012, 20 December 2012, 21 March 2013 and 17 October 2013.

16. PROVISION OF ADDITIONAL COUNCIL DWELLINGS

Provision to provide 121 additional Council dwelling (113 new dwellings and 8 acquisitions) has been included in Years 4, 5 and 6 of the Business Plan.

£1.538 million of Affordable Housing Grant has been assumed to assisting in funding these dwellings. No account has been taken of the potential availability of the use of any additional capital receipts which could be realised from the Government's Right to Buy policy changes.

17. RESPONSIVE AND CYCLICAL 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 10 and a further 7% in Year 20.

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 and "two bedroom conversion works" to "Type 40" one bedroom bungalows.
- (d) Annual contributions to reserve accounts to provide for:-
 - The replacement of door entry systems and sheltered housing scheme lifts and fire alarm systems when required.
 - The maintenance of the internal communal areas of flat blocks on a 7 year cycle.
 - The internal decoration of sheltered housing schemes.
 - A stock condition survey every five years.

18. DISABLED FACILITIES WORKS

Provision has been made throughout the Business Plan period to adapt the properties of disabled households living in Council dwellings in accordance with the projected number of referrals from Staffordshire County Council.

19. 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 10 and a further 7% in Year 20 to reflect changes in the housing stock.

The assumed level of service includes:-

- (a) The provision of vulnerable tenants grass cutting, social alarm and internal decoration services to households who are aged over 70 or who are in receipt of a defined benefit.
- (b) Continued support the Chase Tenants and Residents Federation and individual tenants and residents associations including annual grants and the provision of office accommodation.
- (c) A CCTV system in the Benion Road area.
- (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.
- (g) Membership of the Housing Ombudsman Scheme.

20. DISCRETIONARY HOUSING PAYMENTS

The following HRA expenditure contributions have been assumed in relation to Discretionary Housing Payments for tenants affected by the social sector size criteria.

<u>Year 3</u>	<u>Year 4</u>
£50k	£50k

21. DEBT REPAYMENT

It is assumed that:-

- (a) Existing debt of £18.287 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) Existing debt of £59.245 million (March 2012 settlement payment borrowing) will be met through a minimum revenue provision over a 45 year period commencing in 2017-18.
- (d) The Mill Green borrowing of £1.475 million will be undertaken on a maturity basis over 20 years.
- (e) The additional new borrowing of £4.037 million of new borrowing (£3.022 million in Year 3 and £1.015 million in Year 4) will be undertaken on a maturity basis over 40 years.

22. RESOURCES CARRIED FORWARD FROM 2011-12

Resources totalling £2.226 million were carried forward from 2011-12 at the commencement of the Business Plan.

**REVISED HRA BUSINESS PLAN – CHANGES IN ASSUMPTIONS FROM THE
PREVIOUSLY AGREED PLAN**

<u>Reference</u>	<u>Assumptions</u>	<u>Agreed Business Plan (Cabinet 21 November 2013)</u>	<u>Revised Business Plan (Cabinet 20 November 2014)</u>
1 (a)	Dwellings Changes	82 New Council houses during Years 3, 4 and 5 No specific acquisitions	113 New Council houses during Years 4, 5 and 6 Acquisition of 8 former Council dwellings during Years 3 and 4
2 (a)	Dwelling Income	Rent income assumed to increase by the Retail Price Index during the Business Plan Period	Rent income assumed to increase by the Consumer Price Index plus 1% for the 10 year Business Plan Period, Years 4 to 13. Thereafter, rent income is assumed to increase by the Consumer Price Index only. (Note The Consumer Price Index is generally 1% lower than the Retail Price Index).
2 (e)	Service Charges	No service charges	Annual service charge for additional services to the Council's sheltered housing schemes with effect from Year 4. (N.B following the withdrawal of supporting people funding)
3 (b)	Vacant Bungalow Receipts	No assumption	£428k of accumulated receipts to part fund the Green Lane new build scheme, Rugeley
3 (c)	Land Sales	Receipts of £50k per annum in Years 3 to 10	Receipts of £50k in Year 3 only. Thereafter it is assumed that small HRA sites will be used to support the Council's new build programme.
4	Section 106 Monies	No assumption	£150k of section 106 monies to part fund the Green Lane new build scheme, Rugeley.
5	Energy company obligation monies	£1.299 million in Year 3	£1.377 million in Year 3
6	Affordable	£110k in Year 3	£1.538 million in Years 3 to 6

Housing Grant

7	Supporting People	£300k in Year 3 and £200 thereafter.	£197 in Year 3 only, following the withdrawal of supporting people funding.																																																																								
9	Inflation	<table border="0"> <tr> <td></td> <td style="text-align: center;">Yr3</td> <td style="text-align: center;">Yr4</td> <td style="text-align: center;">Yr 5-6</td> </tr> <tr> <td>Rent</td> <td style="text-align: center;">3.2%</td> <td style="text-align: center;">2%</td> <td style="text-align: center;">2%</td> </tr> <tr> <td>Income</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Building</td> <td style="text-align: center;">4%</td> <td style="text-align: center;">4%</td> <td style="text-align: center;">2%</td> </tr> <tr> <td>Costs</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Energy</td> <td style="text-align: center;">5%</td> <td style="text-align: center;">5%</td> <td style="text-align: center;">2%</td> </tr> <tr> <td>costs</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Other</td> <td style="text-align: center;">2%</td> <td style="text-align: center;">1%</td> <td style="text-align: center;">2%</td> </tr> <tr> <td>Expenditure</td> <td></td> <td></td> <td></td> </tr> </table>		Yr3	Yr4	Yr 5-6	Rent	3.2%	2%	2%	Income				Building	4%	4%	2%	Costs				Energy	5%	5%	2%	costs				Other	2%	1%	2%	Expenditure				<table border="0"> <tr> <td></td> <td style="text-align: center;">Yr3</td> <td style="text-align: center;">Yr4</td> <td style="text-align: center;">Yr5-6</td> </tr> <tr> <td>Rent</td> <td style="text-align: center;">3.2%</td> <td style="text-align: center;">1.5%</td> <td style="text-align: center;">1%</td> </tr> <tr> <td>Income</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Building</td> <td style="text-align: center;">4%</td> <td style="text-align: center;">4%</td> <td style="text-align: center;">4%</td> </tr> <tr> <td>Costs</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Energy</td> <td style="text-align: center;">2%</td> <td style="text-align: center;">2%</td> <td style="text-align: center;">2%</td> </tr> <tr> <td>costs</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Other</td> <td style="text-align: center;">1%</td> <td style="text-align: center;">1%</td> <td style="text-align: center;">1%</td> </tr> <tr> <td>Expenditure</td> <td></td> <td></td> <td></td> </tr> </table>		Yr3	Yr4	Yr5-6	Rent	3.2%	1.5%	1%	Income				Building	4%	4%	4%	Costs				Energy	2%	2%	2%	costs				Other	1%	1%	1%	Expenditure			
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12	Borrowing	Total borrowing to £85.29 million	Total borrowing to £86.044 million following a successful bid for £1.015 million of additional borrowing approval in Year 4 for the Green Lane Housing scheme.																																																																								
14	Planned Maintenance	<p style="text-align: center;">-</p> <p>No provision for planned maintenance of tarmac drives</p> <p style="text-align: center;">-</p> <p>Replacement of social alarms programmed to Year 4</p>	<p>Expenditure in Year 3 adjusted in accordance with anticipated outturn (as at November 2014)</p> <p>£300k for planned maintenance of tarmac drives during Year 4, 5 and 6.</p> <p>Additional provision of £200k in Year 4 for additional roofing work (£175k) and further asbestos testing and removal (£25k).</p> <p>Replacement of social alarms reprogrammed to Years 3 and 4.</p> <p>Re-profiling of kitchen replacement to account for programme reductions and the increased need for works to void dwellings.</p>																																																																								
16	Provision of additional Council dwellings	82 additional dwellings in Years 3, 4 and 5	121 additional dwellings in Years 4, 5 and 6																																																																								
19	Housing Management	Provision of a social alarms service to over 2,000	Provision of a social alarms service to 1350 vulnerable																																																																								

		Council tenants	Council tenants in accordance with the criteria agreed by Cabinet on 17 July 2014.
20	Discretionary Housing Payments	Provision of £100k in Year 3 and £25k in Year 4	Provision of £50k per annum in Years 3 and 4
21	Debt Repayment	-	Additional borrowing of £1.015 million undertaken on a maturity basis over 40 years.

BUSINESS PLAN RISK ASSESSMENT

<u>ASSUMPTION</u>	<u>RISK</u>	<u>COMMENTS</u>
1. Demand for the Council's Housing Stock	Low	<p>Evidence from the Southern Staffordshire District Housing Need Study 2012 and the housing register shows a continued demand for the Council's housing stock. No dwellings are considered to be "difficult to let", although problems are experienced on occasions in letting sheltered housing.</p> <p>The implementation of the social sector size criteria has increased the demand for smaller dwellings particularly one bedroom bungalows (where previously lettings difficulties occurred) and two bedroom houses.</p> <p>Social sector size criteria has also resulted in a corresponding decrease in the demand for larger dwellings, In particular, some letting difficulties have occurred in respect of three bedroom houses but these have been overcome through a relaxation of the property eligibility criteria.</p> <p>There is evidence that the private housing market is recovering from the recession. Whilst recovery could decrease the number of applicants on the housing register, "affordability" is a major issue and it is not expected any decrease to be significant.</p> <p>The extension of the eligibility criteria in respect of any "difficult to let" properties is being addressed as part of the Allocations Policy review.</p>
2 Dwelling Sales	Medium	<p>Right to Buy (RTB) sales have remained constant despite recent changes to the discount cap. The current economic situation and restricted mortgage availability</p>

			<p>continues to constrain sales and no increase in previously predicated sales is expected.</p> <p>A total of 820 RTB sales have been forecast during Years 3 to 30 of the Business Plan with 100 sales during Years 3 to 6.</p>
3	Rent Income	Medium	<p>Rent income has been assumed to increase annually by the Consumer Price Index plus 1% in accordance with the revised national rent policy for the 10 year period 2015-16 to 2024-25. Thereafter, rent income is assumed to increase by inflation only</p> <p>Annual rent income has been reduced by a 1.5% void rate for Years 3, 4 and 5 and 2% thereafter.</p> <p>Changes to the benefits system through the Welfare Reform Act has implications for the collection of rent. Households affected by the social sector size criteria are assisted through the Council's Allocations Policy to move to smaller accommodation and receive a Discretionary Housing Payment in the interim period.</p> <p>As a result of the impact of Welfare Reform, an increased provision for bad debts has been made throughout the Business Plan period.</p>
4	Generation of Capital Receipts	Low	<p>Resources of £15k per RTB dwelling sale have been assumed as a result of "allowable attributable debt", in accordance with the estimated number of RTB sales.</p> <p>£428k of accumulated capital receipts from the sale of vacant one bedroom bungalows are also included in the business Plan to part fund the Green Lane Housing Scheme.</p>

No land receipts are assumed beyond Year 3 of the plan as surplus garage sites will be utilised to support the Council's new build programme.

5 Stock Condition Requirements Low

The Business Plan has been informed by the results of the 2009 stock condition survey (undertaken by Savills Commercial Limited), and detailed "in-house" surveys of proposed planned maintenance works.

The "in-house surveys" have identified a need for planned maintenance works to tarmac drives and this together with additional provision for roofing work and asbestos testing and removal has been addressed within the revised plan.

The "in-house surveys" have identified a need for planned maintenance works to outhouses and this together with additional provision for asbestos testing and removal has been addressed within the revised plan.

Provision has been made in the Plan for the planned maintenance investment requirements to meet the decent homes standard and other statutory obligations, together with a number of other agreed enhancements.

Whilst provision has been made for an updated stock condition survey every five years, a new survey was not commissioned in 2013, as the detailed "in-house survey" information is considered robust and adequate.

A contingency budget of £100k per annum is included to meet any

unforeseen works

Additional planned maintenance works, (which cannot be met from the contingency budget) could be identified by future surveys, whilst there may be a need to “bring forward” works which are currently programmed for implementation in later years. Regular surveys will, however, ensure that any stock condition changes are identified at an early stage in order that planned maintenance programmes can be adjusted accordingly.

The maintenance programmes are, however, delivered through contracts based on “partnering arrangements” which will seek to mitigate these building cost increases through efficiency savings and the alternative procurement of materials. However, any significant increases above the general inflation rate would necessitate planned maintenance programmes to be re-phased.

6 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 landlord's income or cost, no longer reflects a fair valuation and could have a material impact on viability. This could include 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.

7 Inflation

Medium

The following rates have been assumed for Years 3-6

	Yr3	Yr4	Yr5-6
Rent Income	3.2%	1.5%	1%
Building Costs	4%	4%	4%
Energy costs	5%	2%	2%
Other Expenditure	2%	1%	1%

Thereafter annual inflation for both income and expenditure has been forecast at 2% per annum throughout the Business Plan.

The increase in building and energy costs is expected to exceed the increase in rent income during Years 3-6 but can be accommodated within the Business Plan.

Any potential changes would, however be subject to consultation before implementation.

8 Business Plan Borrowing

Low

The Council concluded its £59.245 million settlement payment borrowing at an interest rate of 3.48%.

New borrowing of £4.037 million is proposed in Years 3 and 4 of the Business Plan at 5% interest rate.

Borrowing for the Mill Green land appropriation of £1.475 million is proposed in Year 2 of the Business Plan at 5% interest rate.