ITEM NO. 13.1

Report of:	**Head of Housing**
Contact Officer:	**Ian Tennant**
Telephone No:	**01543 464210**
Portfolio Leader:	**Housing**
Key Decision:	**No**
Report Track:	**Cabinet 31/01/13** **Council 13/02/13**

CABINET

31 JANUARY 2013

HOUSING REVENUE ACCOUNT BUSINESS PLAN REVIEW

1 Purpose of Report

1.1 To introduce a report on Cabinet's recommendation of a proposed Housing Revenue Account Business Plan to be considered by Council on 13 February 2013.

2 Recommendations

2.1 That Cabinet note the contents and recommendations of the Housing Revenue Account Business Plan report (attached as Annex 1) to be considered by Council on 13 February 2013.

3 Key Issues and Reasons for Recommendation

3.1 Cabinet on 17 January 2013 reviewed the agreed Business Plan (as approved by Council on 4 July 2012) and agreed a proposed revised Business Plan for recommendation to Council on 13 February 2013.

3.2 The report (attached as Annex1) introduces the proposed Business Plan and recommends that it is approved by Council.

3.3 The proposed Business Plan provides the financial framework for Cabinet's recommendations regarding proposed three year Housing Revenue Account and HRA Capital Programme budgets for the period 2012-13 to 2014-15 and this is reflected within the attached report.

4 Relationship to Corporate Priorities

4.1 This is addressed in the attached report to Council.

5 Report Detail

5.1 This is contained in the attached report to Council.

6 Implications

6.1 These are addressed in the attached report to Council

7 Appendices to the Report

Annex 1: Report to Council 13 February 2013 “Housing Revenue Account Business Plan Review”

Previous Consideration

This is addressed in the attached report to Council.

Background Papers

ITEM NO. 13.3

ANNEX 1

Report of:	**Head of Housing and Head of Finance**
Contact Officer:	**Ian Tennant Suzanne Campbell**
Telephone No:	**01543 464210 01543 464389**
Portfolio Leader:	**Housing**
Key Decision:	**No**
Report Track:	**Council 13/02/13**

COUNCIL

13 FEBRUARY 2013

HOUSING REVENUE ACCOUNT BUSINESS PLAN REVIEW

1 Purpose of Report

1.1 To consider a proposed revised 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 Appendix 1 and the associated programme of capital expenditure (attached as Appendix 2) are approved.

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

3 Key Issues and Reasons for Recommendation

3.1 The devolved self-financing system for Council housing is implemented through the Housing Revenue Account (HRA) Business Plan.

3.2 Cabinet on 17 January 2013 reviewed the agreed Business Plan (as approved by Council on 4 July 2012) and have recommended a proposed revised Business Plan to Council for approval.

3.3 The proposed revised Business Plan is attached as Appendix 1, with the accompanying programme of capital expenditure set out as Appendix 2. Details of the assumptions used in formulating the plan are also attached as Appendix 3 whilst an associated risk analysis is attached as Appendix 4.

3.4 The proposed revised Business Plan includes a £4.379 million programme of enhancements, details of which are presented in paragraph 5.9.

4 Relationship to Corporate Priorities

4.1 The review of the HRA Business Plan has also been identified as a specific action within the agreed 2012-13 “Place” Priority Delivery Plan.

4.2 The proposed revised HRA Business Plan would contribute to the following HRA service aims, which will form part of the proposed 2013-14 “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 Council on 15 February 2012 approved a 30 year Housing Revenue Account (HRA) Business Plan to implement the devolved “self-financing system” which replaced the previous HRA subsidy regime on 1 April 2012.

5.2 Details of “self-financing” were reported to Cabinet on 21 July 2011 and enables the Council to retain all of its rent income and no longer pay negative subsidy to the Government. However, “in return” the Council has had to “take on” a share of the national housing debt by making a £59.245 million settlement payment to the Government. The Government has also limited the amount of HRA finance which the Council can borrow through the imposition of an £85.029 million “borrowing cap”.

5.3 Following the conclusion of the settlement payment and associated borrowing, the previously agreed plan was revised by Council on 4 July 2012, to account for changes to certain key assumptions. These changes had a beneficial impact on the Business Plan and as a consequence of the additional expenditure capacity generated, it was agreed to provide a further 15 Council houses as part of a revised Capital Expenditure Programme.

5.4 As agreed by Council on 15 February 2012, the HRA Business Plan is to be reviewed annually as part of the budget process. Cabinet on 17 January 2013 therefore reviewed the agreed Business Plan (as approved by Council on 4 July

2012) and a proposed revised Business Plan is now recommended to Council for approval.

5.5 The proposed revised 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 2013-14 to 2014-15 have been formulated.

The Proposed Revised Housing Revenue Account Business Plan

5.6 The proposed revised 30 year HRA Business Plan is attached as Appendix 1, with the accompanying programme of capital expenditure set out as Appendix 2. Details of the assumptions used in formulating the plan are also attached as Appendix 3, whilst an associated risk analysis is attached as Appendix 4.

5.7 Although certain key Business Plan assumptions remain unchanged, a number of changes have been made to other assumptions used to formulate the agreed Business Plan, approved by Council on 4 July 2012. Details of these changes are set out in the HRA Business Plan review report considered by Cabinet on 17 January 2013.

5.8 In overall terms, the changes have a beneficial impact on the base Business Plan. This results in an estimated cumulative surplus of £4.656 million in Year 6 (2017-18) and following adjustments to interest payments and the Revenue Contribution to Capital Outlay, £4.579 million is potentially available for further expenditure.

5.9 Cabinet propose that £4.379 million of the estimated additional expenditure capacity is used to further improve the housing service and have included the following enhancements within the proposed revised Business Plan:-

		Total Cost Five Year Period	
(i)	External Insulation to Properties with Solid Walls during Years 2 and 3	£1,624,000	*[1]
(ii)	Other housing stock improvements:-		
	* Fencing Repair Enhancements (as recommended by Housing Policy Development Committee 22 October 2012):-		
	- As part of External Curtilage Works	£102,000	
	- As part of Responsive Repairs	£77,000	
	* Floor covering as part of Bathroom Replacement Programme	£143,000	
	* Internal Decoration for Vulnerable Tenants as part of Kitchen and Bathroom Replacement		

Programmes:-

		- Kitchens	£87,000
		- Bathrooms	£139,000
	*	Conversion works to occupied "Type 40" Bungalows	£80,000
(iii)	Two additional Trade Apprenticeships		£87,000
(iv)	17 additional Council Houses during Years 4, 5 and 6		£2,040,000
			£4,379,000

Note *[1] The £1.624 million is the net requirement from Council resources. A further £2.124 million of Energy Company Obligation monies would be provided by British Gas in relation to a £3.748 million total scheme cost.

5.10 The proposed revised Business Plan also provides for the continuation of other existing policies and service standards, with the allocation of additional resources where necessary.

6 Implications

6.1 Financial

The financial implications have been referred to 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.

The proposed revised plan includes the establishment of two additional "trade" apprenticeships within the Housing Maintenance Section. Subject to the additional apprenticeships being agreed, their terms and conditions would be in accordance with the Council's Pay and Grading Structure for Craft Employees.

The age profile of the Housing Maintenance Section makes it important to ensure that new employees are brought into the department and trained in key craft skills as part of long term succession plans.

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.

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

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

A Business Plan risk assessment is attached as Appendix 4.

6.8 Equality & Diversity

The HRA Business Plan provides the financial framework for the policies and service standards in relation to the management, maintenance and improvement of the Council's housing stock. The agreed Business Plan (as approved by Council on 4 July 2012) has been reviewed as part of the 2013-14 budget process.

A revised Business Plan has been formulated as a result of this review which has been subject to an Equality Impact Assessment. All existing policies and service standards are to be maintained or enhanced and as a result no negative implications have been identified. A range of positive impacts have also been identified particularly in relation to age and disability.

6.9 Best Value

None

7 Appendices to the Report

Appendix 1:	Proposed Revised HRA Business Plan
Appendix 2:	Proposed Revised HRA Business Plan: Programme of Capital Expenditure
Appendix 3:	HRA Business Plan Assumptions
Appendix 4:	Business Plan Risk Assessment

ITEM NO. 13.8

Previous Consideration

Housing Revenue Account Business Plan	Cabinet	21 July 2011
Housing Revenue Account Business Plan	Council	15 February 2012
Housing Revenue Account Business Plan	Council	4 July 2012
Review of Fencing Policy	Housing Policy Development Committee	22 October 2012
Housing Revenue Account Business Plan Review	Cabinet	17 January 2013

Background Papers

ITEM NO. 13.9

APPENDIX 1

Revised Business Plan

	1 2012.13	2 2013.14	3 2014.15	4 2015.16	5 2016.17	6 2017.18	7-10 2018.22	11-15 2022.27	16-20 2027.32	21-25 2032.37	26-30 2037.42
Income											
Dwelling Rent	18,630,260	18,873,340	19,127,650	19,530,540	19,834,260	19,937,970	82,660,380	109,937,900	117,670,000	125,820,680	134,393,410
Shop Rent	128,000	129,280	130,570	131,880	133,200	134,530	551,730	721,270	758,080	796,770	837,420
Garage Rent	284,400	283,820	282,920	281,670	283,450	284,750	1,179,290	1,593,760	1,753,140	1,912,510	2,103,760
New Build	-	-	33,000	71,280	110,000	143,840	599,660	831,940	924,360	1,107,370	1,208,940
							-	-	-	-	-
Total Income	**19,042,660**	**19,286,440**	**19,574,140**	**20,015,370**	**20,360,910**	**20,501,090**	**84,991,060**	**113,084,870**	**121,105,580**	**129,637,330**	**138,543,530**
Expenditure											
Repairs	4,244,080	4,218,360	4,259,560	4,268,960	4,319,060	4,392,260	18,235,230	24,246,270	26,098,000	27,718,440	29,923,980
Management	3,926,920	4,161,400	4,286,710	4,315,810	4,380,610	4,446,530	18,399,890	24,348,860	26,133,860	27,632,660	29,859,840
Interest - Current Debt	1,284,510	1,284,510	1,284,510	1,284,510	1,284,510	1,284,510	5,138,040	6,422,550	6,422,550	6,422,550	6,422,550
Interest - New Debt	2,182,030	2,182,030	2,257,580	2,333,130	2,333,130	2,333,130	9,332,520	11,665,650	11,665,650	11,064,150	11,064,150
Principal & MRP New Debt	-	-	-	-	-	1,316,560	6,916,240	8,582,800	8,682,800	6,854,800	6,582,800
Depreciation	3,233,000	3,210,830	3,206,560	3,226,170	3,276,410	3,327,360	13,795,680	18,350,440	19,643,910	21,007,830	22,442,870
Total Expenditure	**14,870,540**	**15,057,130**	**15,294,920**	**15,428,580**	**15,593,720**	**17,100,350**	**71,817,600**	**93,616,570**	**98,646,770**	**100,700,430**	**106,296,190**
							-	-	-	-	-
Surplus / (Deficit)	**4,172,120**	**4,229,310**	**4,279,220**	**4,586,790**	**4,767,190**	**3,400,740**	**13,173,460**	**19,468,300**	**22,458,810**	**28,936,900**	**32,247,340**
Capital Resources											
RCCO	4,605,950	4,210,650	4,255,440	4,573,420	4,750,680	3,250,070	13,070,100	19,369,110	22,397,520	28,856,630	32,126,530
Capital B/f	305,220										
Energy Efficiency	40,000	1,976,000	1,378,000								
Major Repairs Allowance	6,233,000	3,210,830	3,206,560	3,226,170	3,276,410	3,327,360	13,795,680	18,350,440	19,643,910	21,007,830	22,442,870
Borrowing			3,022,000	-							
Debt Repay Receipt	150,000	150,000	225,000	225,000	300,000	300,000	1,800,000	2,250,000	2,250,000	2,250,000	2,250,000
Capital Receipts RTB	-	-	-	-	-	-	-	-	-	-	-
Capital Receipts Bungalows							-	-	-	-	-
Land Sales	1,615,000	100,000	50,000	50,000	50,000	50,000	200,000	-	-	-	-
Total Capital Resources	**12,949,170**	**9,647,480**	**12,137,000**	**8,074,590**	**8,377,090**	**6,927,430**	**28,865,780**	**39,969,550**	**44,291,430**	**52,114,460**	**56,819,400**
Capital Expenditure	7,420,750	12,159,830	12,235,400	10,212,210	9,014,340	6,870,300	25,885,110	33,512,940	35,608,640	31,743,320	34,880,990
Surplus / (Deficit)	**5,528,420**	**(2,512,350)**	**(98,400)**	**(2,137,620)**	**(637,250)**	**57,130**	**2,980,670**	**6,456,610**	**8,682,790**	**20,371,140**	**21,938,410**
Cumulative Surplus	**5,528,420**	**3,016,070**	**2,917,670**	**780,050**	**142,800**	**199,930**	**3,180,600**	**9,637,210**	**18,320,000**	**38,691,140**	**60,629,550**

ITEM NO. 13.10

APPENDIX 2

Revised Business Plan

	1	2	3	4	5	6	7-10	11-15	16-20	21-25	25-30
	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18	2018.22	2022.27	2027.32	2032.37	2037.42
DFG's	572,000	460,570	460,570	460,570	460,570	460,570	1,601,330	2,188,560	2,416,340	2,667,800	2,945,500
PRC - Demolish flats	698,980	700,000	-	-	-	-	-	-	-	-	-
PRC - Reema Houses	564,200	1,926,150	-	-	-	-	-	-	-	-	-
Double Glazing	-	957,070	965,260	980,780	996,050	1,011,530	2,067,890	-	-	-	-
New Build	-	-	3,240,000	3,600,000	2,280,000	720,000	-	-	-	-	-
Unforseen Capital Works	32,000	100,000	100,000	106,120	110,360	112,570	473,250	646,850	714,190	788,510	870,590
Voids Properties Works	300,000	300,000	300,000	312,000	324,480	334,210	1,440,190	2,057,050	2,384,640	2,764,460	3,204,750
Replacement Vehicles	107,570	253,000	209,000	100,000	24,000	110,000	-	-	-	-	-
Demolition of Garages	20,000	20,000	20,000	20,000	20,000	20,000	80,000	100,000	100,000	100,000	100,000
Second Doors To bungalows	10,000	-	-	-	-	-	-	-	-	-	-
Lift Refurbushment Caxton Crt	31,000	-	-	-	-	-	-	-	-	-	-
Unauthorised Alterations	18,000	-	-	-	-	-	-	-	-	-	-
Removal of Asbestos	100,000	75,000	50,000	52,000	54,080	55,700	240,010	342,850	397,490	460,750	534,110
Works to entrances of Communal Flat Blo	166,000	134,000	-	-	-	-	-	-	-	-	-
Environmental Improvements to communa	-	-	140,000	145,600	151,420	155,960	516,520	-	-	-	-
Replace Fire Alarms Sheltered Schemes		40,000									
Capital Adjusted for Property Numbers											
Tenant Improvements	5,000	5,000	5,000	5,300	5,510	5,620	23,610	32,260	35,610	39,330	43,410
Kitchens	550,000	605,000	580,170	574,670	603,070	566,580	2,896,330	7,765,770	8,503,130	5,841,120	5,347,440
Bathrooms	990,000	1,384,600	1,361,480	1,374,330	1,422,160	717,520	1,947,290	3,284,390	6,372,820	2,400,330	2,574,570
Central Heating	1,182,000	1,024,800	892,200	830,380	859,840	873,210	5,144,850	7,190,070	6,648,340	7,197,030	8,144,710
Electrics	409,000	628,000	598,000	553,240	567,020	573,270	2,305,020	1,985,450	1,859,050	2,204,770	2,504,660
External Site Works	-	-	444,860	460,230	476,180	483,700	2,882,870	3,379,170	2,161,780	1,527,660	1,513,800
External Fabric Work	1,565,000	3,466,640	2,868,860	636,990	659,600	669,860	4,265,950	4,540,520	4,015,250	5,751,560	7,097,450
Provision of Entry Phones	100,000	-	-	-	-	-	-	-	-	-	-
Conversion works to "Type 40" Bungalows		80,000	-	-							
Capital Budget	**7,420,750**	**12,159,830**	**12,235,400**	**10,212,210**	**9,014,340**	**6,870,300**	**25,885,110**	**33,512,940**	**35,608,640**	**31,743,320**	**34,880,990**

ITEM NO. 13.11

APPENDIX 3

REVISED HRA BUSINESS PLAN ASSUMPTIONS

(COUNCIL 13 FEBRUARY 2013)

1. CHANGES IN HRA ASSETS

(a) Dwelling changes. A net decrease in the housing stock of 920 dwellings is projected over the Business Plan period as a result of:-

- 810 Right to Buy sales (10 per annum during Years 1 and 2; 15 per annum during Years 3 and 4; 20 per annum during Years 5 and 6 and then 30 per annum throughout the remainder of 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 82 new Council houses during Years 3, 4 and 5.

(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 (in accordance with the Government's national rent policy) by 3.81% in Year 2 and then RPI plus 0.5% in Years 3 and 4 to achieve rent convergence in 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 28% has been assumed for garages for year 1 reducing by 1% per year to year 6 then 2% per year until reaching 15% in year 10 and remaining at this level for the remainder of the Business 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 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 "adjusted 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 One Bedroom Bungalows. It is assumed that the receipts from the sale of certain vacant one bedroom bungalows will continue to be transferred to the General Fund Capital Programme to provide affordable housing through housing associations.

(c) 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. A £1.475 million receipt from the Mill Green Employment Site has been programmed for Year 1, subject to appropriation to the General Fund. Further receipts from the sale of surplus garage sites have been assumed as £140k (Year 1), £100k (Year 2) and £50k per annum during Years 3-10. No receipts are assumed thereafter.

4. ENERGY COMPANY OBLIGATION MONIES

It is assumed that £40k will be available during Year 1 as a result of the Council's current Energy Efficiency Agreement with British Gas.

It is further assumed that the following resources will be available during Years 2 and 3 subject to the conclusion of a revised Agreement with British Gas:-

Year 2	Year 3
£1.976m	£1.378m

No resources have been assumed thereafter.

5. SUPPORTING PEOPLE FUNDING

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

The future funding of the communal alarm service is currently being reviewed by Staffordshire County Council and it is envisaged that the level of funding will be reduced when the current contract expires on 31 July 2013. An estimated reduction of supporting people funding amounting to £100k per annum has therefore been assumed with effect from Year 2.

6. 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.

7. INFLATION

The following rates have been assumed for Years 1 to 4.

	Year 1	Year 2	Years 3-4
Rent Income	5.6%	2.6%	2%
Building Costs	3%	4%	4%

Energy Costs	2%	5%	5%
Other Expenditure	2%	2%	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.

8. 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.

9. WORKING BALANCE

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

10. 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.

11. BORROWING

Total borrowing to the Council's borrowing cap of £85.029 million has been included. This comprises:-

(a) £82.007 million of existing debt including the £59.245 million of borrowing undertaken in March 2012 to finance the Council's settlement payment.

(b) £3.022 million of new borrowing in Year 4 for additional capital expenditure.

12. INTEREST RATES

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

(a) Existing debt of £19.762 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 £3.022 million (for additional capital expenditure) in Year 4 of the Business Plan at 5% per annum.

13. WORKS TO PRECAST REINFORCED CONTRETE DWELLINGS

Provision for structural reinstatement works to the following PRC dwellings has been included in Years 1 and 2:-

(a) 63 Reema houses on the Moss Road Estate, Chadsmoor.

(b) 44 Cornish Houses in the Rowley Close area, Pye Green.

Provision has also been made for Home Loss and Disturbance Payments to facilitate the re-housing of the existing tenants of the Council's 167 Reema flats on the Moss Road Estate, Chadsmoor, prior to redevelopment.

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) Reintroduction of the bathroom replacement programme during the second quarter of Year 1.

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

(c) The provision of external insulation to solid wall rendered properties.

(d) Additional provision for the:-

- renewal of existing entry phones;
- redesign of the communal entrance halls to three storey traditional flat blocks;
- introduction of 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 garages situated within the curtilage of Council dwellings or have a prominent location on the Council's housing estates;

(e) 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:-

(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 17 November 2011, 15 March 2012, 21 June 2012 and 20 December 2012.

16. PROVISION OF ADDITIONAL COUNCIL HOUSES

Provision to provide 82 Council houses has been included in Years 3, 4 and 5 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 the use of additional capital receipts which could be realised from the Government's Right to Buy policy changes.

17. 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 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. The provision includes resources to remove the current waiting list during Year 1.

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 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. (N.B. Additional resources have been provided as a result of an increase in the number of qualifying households requesting internal decorations).

(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) 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) The net cost of providing sheltered housing and communal alarm monitoring service following the estimated receipt of supporting people funding from Staffordshire County Council. (Note: In view of the expected reduction in supporting people funding for the communal alarm monitoring service additional HRA funding of £100k per annum has been assumed with effect from Year 2).

Provision of £60k has also been made in Year 1 to make an additional “negative subsidy” payment to the Department for Communities and Local Government following a recalculation of the Council’s negative subsidy liabilities in 2011-12.

20. DEBT REPAYMENT

It is assumed that:-

(a) Existing debt of £19.762 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 additional estimated capacity for new borrowing of £3.022 million will be undertaken on a maturity basis over 40 years.

21. RESOURCES CARRIED FORWARD FROM 2011-12

Resources totalling £2.226 million were carried forward to 2012-13 (Year 1) of the Business Plan (£305k capital, £1.921 million revenue).

ITEM NO. 13.18

APPENDIX 4

REVISED BUSINESS PLAN RISK ASSESSMENT

	ASSUMPTION	RISK	COMMENTS
1.	Demand for the Council's Housing Stock	Low	Evidence from the Southern Staffordshire District Housing Need Study 2012 and the housing register shows a substantial demand for the Council's housing stock. No dwellings are considered to be "difficult to let". Some properties are, however, "less popular" and difficulties can be experienced in letting:- - Sheltered accommodation generally and in particular bedsits with shared bathroom facilities. (Note – self-contained bathing facilities are now being provided to all sheltered schemes). - The Reema two bedroom flats at the Moss Road Estate, Chadsmoor. (Note - these flats are programmed for demolition in 2014-15). - Certain older one bedroom bungalows. The effects of the recession on the private housing market is increasing 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. Should any "less popular" properties become "difficult to let" consideration would be given to extending the applicant property eligibility criteria.
2.	Dwelling Sales	Medium	The increase in the Right to Buy (RTB) discount cap has not resulted in the previously predicted increase in sales and the current economic situation and restricted mortgage availability continues to constrain RTB sales. A total of 810 RTB sales have been forecast throughout the Business Plan period with a reduced rate of 90 sales during Years 1-6. 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, dependent upon vacant bungalows meeting the agreed disposal criteria.

ASSUMPTION	RISK	COMMENTS
3. Rent Income	Medium	Rent income has been assumed to increase by 3.81 in Year 2 and then RPI plus 0.5% in Years 3 and 4. Thereafter, rents are assumed to increase by inflation only. 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 Act has implications on the collection of rent income. The amount of "Housing Benefit" received by people of working age will be restricted to their "bedroom need" 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	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. No other capital receipts from RTB sales or the voluntary sale of certain vacant one bedroom bungalows have been included in the Business Plan. These will continue to be transferred to the General Fund Capital Programme to support the provision of private sector disabled facilities grants and affordable housing. A "capital receipt" of £1.475 million has been assumed from the Mill Green Employment Site subject to its appropriation to the General Fund. Other land receipts have been limited to those generated from the sale of surplus garage sites and other small areas of land. These have been assumed to be £140k (Year 1), £100k (Year 2) and £50k per annum during Years 3-10. No land receipts are assumed thereafter.

	ASSUMPTION	RISK	COMMENTS
5.	Energy Company Obligation Monies	Medium	The proposed revised Business Plan includes £3.354 million of Energy Company Obligation monies which are potentially available from British Gas. These resources must contribute to the provision of external insulation to “hard to treat” properties and the required expenditure (including the allocation of the Council’s contribution) have been included in the proposed capital expenditure programme. Whilst these resources have been formally offered by British Gas, their availability is subject to an Energy Efficiency Agreement which will include the achievement of defined insulation values.
6.	Stock Condition Requirements	Low	The Business Plan has been informed by the results of the 2009 stock condition survey (undertaken by Savills Commercial Limited), the 2007 Structural Assessment of Pre-reinforced Concrete Dwellings (undertaken by Michael Dyson Associates) and detailed “in-house” surveys of proposed planned maintenance works. The “in-house surveys” have identified a shortfall in the estimated requirement for electrical rewiring of £165k per annum during Years 2-11 and this together with additional provision for re-roofing and the replacement of asbestos soffits has been addressed within the amended 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. The structural reinstatement of the Reema houses on the Moss Road Estate and the Cornish houses in the Rowley Close area have been “brought forward” within the amended plan for completion during Year 2. Provision has also been made for certain costs associated with the Moss Road Estate Reema Flats Redevelopment Scheme. Whilst provision has been made for an updated stock condition survey every five years, it is not proposed to commission a new survey 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 could be identified by future surveys which cannot be met from the contingency budget, 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 and that planned maintenance programmes can be adjusted accordingly.

7. Inflation — Medium

The following rates have been assumed for Years 1-4:-

	Year 1	Year 2	Years 3-4
Rent Income	5.6%	2.6%	2%
Building Costs	3%	4%	4%
Energy Costs	2%	5%	5%
Other Expenditure	2%	2%	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 2-4 but can be accommodated within the Business Plan.

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.

8. 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 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.
9.	Supporting People Funding	High	The current net cost (after the receipt of Supporting People Funding) of providing communal 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 Communal Alarm Contract with the Council and it is envisaged that the level of funding will be reduced. A reduction in Communal 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. A contingency sym of £100k per annum has been included within the amended HRA Business Plan in view of the expected reduction in Supporting People funding.
10.	Business Plan Borrowing	Low	The Council concluded its £59.245 million settlement payment borrowing at an interest rate of 3.48%. New borrowing of £3.022 million is proposed in Year 4 of the Business Plan at 5% interest rate.