COUNCIL – 27TH FEBRUARY 2012

Report of the Cabinet

ITEM 6.4 HOUSING REVENUE ACCOUNT BUSINESS PLAN 2012-2042

Purpose of Report

This report presents the post consultation thirty-year Housing Revenue Account (HRA) Business Plan and associated stock investment strategy for approval.

Recommendations

1. That the HRA Business Plan, as attached at the Annex to the report appended to this report, be approved

2. That Delegated Authority be granted to the Head of Housing and Head of Finance and Property Services, in consultation with the Cabinet Lead Members for Housing and Finance, to make minor amendments to the Plan within existing approved budgets.

Reasons

1. To ensure the government's 1st April 2012 deadline for implementing self-financing is met.

2. To ensure the Plan remains fit for purpose and is adjusted in line with financial projections, emerging government policy decisions, asset management data and emerging investment priorities for the Council's housing stock.

Policy Justification and Previous Decisions

At its meeting on 16th February 2012, Cabinet considered a Joint Report of the Head of Housing and the Head of Finance and Property Services presenting the post consultation thirty-year Housing Revenue Account Business Plan and associated stock investment strategy for approval.

The Cabinet resolved the following:

1. **that it be recommended to Council** that the HRA Business Plan, as attached as an Annex to the report filed with these minutes, be approved;

2. **that it be recommended to Council** that Delegated Authority be granted to the Head of Housing and the Head of Finance and Property Services, in consultation with the Lead Member for Housing and Regulatory Services and the Lead Member for Finance, to make minor amendments to the Plan within existing approved budgets;

3. that the need to periodically review and refresh the Business Plan be noted;

4. that it be recommended to Scrutiny Management Board that scrutiny of the HRA Business Plan be added to the work programme of the Performance Panel;

5. that the estimated draft borrowing profile shown in Appendix 5 of the Annex to the report filed with these minutes be approved and that Delegated Authority be given to the Head of Finance and Property Services in consultation with the Strategic Director of Corporate Services, being the S.151 Officer, to enter into such borrowing arrangements as required to settle the debt due to the Government on 28th March 2012 and provide sufficient capital funding as set out in the plan;

6. that with effect from 1st April 2012 all proceeds from non Right to Buy sales of housing assets, such as shops and garages, will be for the benefit of the HRA only and will be used as a Capital Allowance to help fund its capital expenditure programme as agreed each year up to a maximum of £5m in any one year; and

7. that the report of the Overview Scrutiny Group be noted, that it be acknowledged that the Group supported the recommendations in the joint report of the Head of Housing and the Head of Finance and Property Services, filed with these minutes, and that the Group be thanked for their work.

Reasons

1. To ensure the government's 1st April 2012 deadline for implementing self-financing is met.

2 & 3. To ensure the Plan remains fit for purpose and is adjusted in line with financial projections, emerging government policy decisions, asset management data and emerging investment priorities for the Council's housing stock.

4. To enable the Council's existing structures for monitoring performance to be utilised to ensure that the new housing finance arrangements are operating effectively.

5. To enable the necessary arrangements to be put in place by the relevant officers.

6. To allow for additional investment in the current and future housing stock, plus estates and related activities.

7. To acknowledge the views of the Overview Scrutiny Group.

Report Implications and Risks are as detailed within the report attached as an Appendix.

Background Papers: None specific to the referral to Council

Officer to Contact: Darren Tilley, Team Leader – Committee & Mayoral Services and Scrutiny Manager
Telephone: (01509) 63 4781
Email: darren.tilley@charnwood.gov.uk

CABINET – 16TH FEBRUARY 2012

Joint Report of the Head of Housing and the Head of Finance and Property Services

Lead Members: Councillors Jane Hunt and Tom Barkley

Part A

ITEM 7 HOUSING REVENUE ACCOUNT BUSINESS PLAN 2012-2042

Purpose of Report

This report presents the post consultation thirty-year Housing Revenue Account (HRA) Business Plan and associated stock investment strategy for approval.

Recommendations

1. That it be recommended to Council that the HRA Business Plan attached at the Annex to this report be approved.

2. That it be recommended to Council that delegated authority be given to the Head of Housing and Head of Finance and Property Services, in consultation with the Cabinet Lead Members for Housing and Finance to make minor amendments to the Plan within existing approved budgets.

3. That Cabinet notes that the Business Plan will need to be periodically reviewed and refreshed.

4. That it be recommended to Scrutiny Management Board that scrutiny of the HRA Business Plan be added to the work programme of the Performance Panel

5. That the estimated draft borrowing profile shown in Appendix 5 of the Annex be approved, and that delegated authority be given to the Head of Finance and Property Services in consultation with the Strategic Director of Corporate Services, being the S.151 Officer, to enter into such borrowing arrangements as are required to settle the debt due to the Government on 28th March 2012 and provide sufficient capital funding as set out in the plan.

6. That with effect from 1st April 2012 all proceeds from non Right to Buy sales of housing assets, such as shops and garages, will be for the benefit of the HRA only and will be used as a Capital Allowance to help fund its capital expenditure programme as agreed each year up to a maximum of £5m in any one year.

Reasons

1. To ensure the government's 1st April 2012 deadline for implementing self-financing is met.

2 & 3. To ensure the Plan remains fit for purpose and is adjusted in line with financial projections, emerging government policy decisions, asset management data and emerging investment priorities for the Council's housing stock.

4. To enable the Council's existing structures for monitoring performance to be utilised to ensure that the new housing finance arrangements are operating effectively.

5. To enable the necessary arrangements to be put in place by the relevant officers.

6. To allow for additional investment in the current and future housing stock, plus estates and related activities.

Policy Justification and Previous Decisions

In March 2010, the Department for Communities and Local Government (CLG) issued a consultation paper 'Council Housing – a real future' that set out proposals to abolish the current housing subsidy system and replace it with a system of self financing. The New Localism Act contains provisions that will bring in the new-self financing system and abolish the current system of annual determinations.

Cabinet, at its meeting on 22nd December 2011, considered a joint report of the Head of Housing and the Head of Finance and Property Services, providing an update on the Government's Self Financing proposals for the Housing Revenue Account and the development of the HRA Business Plan for 2012-13 onwards.

It was resolved (min 79):-

1. that the progress and proposals in relation to the implementation of self- financing of the HRA be noted;

2. that the Stock Investment Model element of the HRA Business Plan, as detailed at the Annex of the report, be approved as a draft for consultation;

3. that a further report be considered in February 2012 presenting the proposed post consultation thirty year HRA Business Plan and associated stock investment strategy for approval; and

4. that the report of the Overview Scrutiny Group be noted and that it be acknowledged that the Group supported the recommendations in the joint report of the Head of Housing and the Head of Finance and Property Services, filed with these minutes.

The Overview Scrutiny Group, whilst supporting the recommendations and commending the report, had expressed concern that in the absence of discussions with the Public Works Loan Board it was possible that their reduced loan rate could rise, potentially impacting on funding. Clarification was given by the Head of Finance and Property Services that the interest rate offered was based on what the Government borrows, even if the rate was to increase it would still be the best available rate and would be affordable for the Council.

Implementation Timetable including Future Decisions and Scrutiny

Under the timetable set by central government, the Council will borrow £79.190m on 28th March 2012 from the Public Works Loans Board at rates set on 26th March 2012. The actual detailed programme for investment in the housing stock will be agreed annually as in previous years with a report to Cabinet in March 2012 outlining

the 2012/13 housing capital programme for approval. This investment profile will be similar to that included in the 30 Year Business Plan.

The 30 Year Business Plan was considered by the Overview Scrutiny Group on 13th February 2012 and will be submitted to Council on 27th February 2012.

Report Implications

The following implications have been identified for this report.

Financial Implications

The Plan addresses major issues which will impact on both the HRA and the council's finances as a whole. The main financial issues will be:

The Council will have to pay the government £79.190m on 28th March 2012.

The government has set a borrowing cap for the Council of £88.2m. However, the HRA has a negative Capital Financing Requirement of £570k so this increases the total amount to £88.77m. After deducting the £79.190m that we have to pay the government, this will leave the HRA with the ability to borrow a further £9.579m.

The Business Plan confirms that the extra debt can be serviced and up to £8.579m may be borrowed in the early years of the Plan to fund capital expenditure on the housing stock. The Plan assumes that a borrowing headroom of at least £1m is maintained in order to cover unforeseen circumstances or emergencies.

The Council will borrow the money from the Public Works Loan Board, as they are reducing their rates by around 0.85% for this exercise. This special rate from the PWLB is only available for the main government repayment of £79.19m so the additional borrowing of up £8,579m would be at normal PWLB rates, or borrowed 'internally' from the General Fund at similar rates to those offered by the PWLB, both being without the 0.85% reduction.

The final business plan assumes that the Council will not commit to paying back all of this debt over 30 years The Council's ability to service and pay back the debt will depend on various factors such as the level of repairs that are required, inflation, rent levels, interest rates, management costs, capital expenditure etc. The Plan assumes that the Council will wish to maintain as much flexibility in the HRA as possible so that it can manage its housing stock and the associated debt in an effective and efficient manner.

The Council currently has £2m of external borrowing and an exercise has been undertaken to decide whether some of this should be classed as HRA borrowing. This exercise has shown that all this borrowing relates to the General Fund.

Proceeds from non Right to Buy sales, for example the sale of shops or garages will in future be retained by the HRA, subject to any amounts that have to be paid to the government under relevant 'pooling' arrangements.

Risks

The key issues for the self-financed business plan are:

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
The proposed changes to housing benefit entitlements for working age people in the social sector will be complicated and are likely to cause an increase in rent arrears. The biggest impact on arrears may well be the loss of Housing Benefit direct to the landlord, as approximately 69% of tenants are on Housing Benefit in the social sector. Subject to parliamentary approval, payments will reflect family size instead of just covering the particular rent for the property they live in and if moves are not possible within the existing stock, then there is likely to be a problem with arrears and an issue over what to do with the affected households. This will impact on income and arrears.	Probable	Major	To follow the development of this new Benefit carefully and seek ways to minimise its impact on the council. Continue to support CNH with a pro-active approach to money management and financial inclusion Take a pro-active approach to identifying tenants likely to be affected by the changes and ensure mechanisms are in place to minimise the impact through advice and support to access more suitable accommodation. Provision has been made in the Plan for increasing rent arrears.
Inflation is higher than forecast in the Plan, or in certain sections of the plan, resulting in higher cost of repairs etc	Possible	Major	Whilst costs may increase so will income which should mitigate the problem. However, if building costs rise quicker than general inflation then there will be pressures. These will be addressed by good management and regular reviews of capital and repair expenditure.
Interest rates rise prior to 26 March 2012.	Possible	Major	A substantial rise in interest rates prior to the agreed date for fixing borrowing of 26 Mach 2012 would impact the Plan as each 0.5% increase

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
			in interest rates will cost £442k. This would reduce the level of capital expenditure available and other savings might be required. The Treasury policy would be reviewed in order to minimise the effect and alter the borrowing structure where possible.
Interest rates rise above expectations after 26 March 2012.	Highly probable	Moderate	The Treasury policy will be pitched to gain maximum benefit from the current low rates whilst maintaining flexibility for the council.
Decent Homes funding in 2012/13 to 2014/15 is not forthcoming.	Unlikely	Severe	We are not aware of any such decision having been taken or being under consideration. However, should this occur then the expenditure on Decent Homes works would be re-profiled over a longer period of years.

Equality and Diversity

Some of the biggest risks to the self-financed business plan relate to the government's proposals for welfare reform. The intention to introduce a Universal Credit to replace working age credits and benefits in order to simplify the welfare system and improve incentives to work will in its current form lead to welfare payments for housing being paid directly to tenants rather than as under the current system paid directly to the Council. It is predicted that this may have a substantial impact on arrears levels. Also it is proposed that working age tenants who under-occupy their accommodation will have housing payments restricted based on the level of under-occupancy. Both of these changes are likely to increase the level of arrears within the HRA and therefore reduce income available. The level of impact will need to be evaluated as the welfare reform changes are implemented. The proposed business plan does not have any apparent implications in relation to any BME issues at this point in time.

Key Decision: Yes

Background Papers: Working Papers and responses to consultation are held within the Housing and Finance Services.
Report to Cabinet on Draft 30 Year Business Plan on 22nd December 2011

Officers to contact: Eileen Mallon, 01509 634662, eileen.mallon@charnwood.gov.uk
John Casey, 01509 634810, john.casey@charnwood.gov.uk

Part B

Background

1. A 30 Year Business Plan has been drawn up for the HRA setting out the priorities and aims for the Housing Service and how the Council intends to deliver them over the next 30 years.

2. The key tenets of the Plan are that the debt can be serviced, the housing stock is kept in an appropriate state of repair and that there are sufficient remaining resources to deliver a high quality housing management service.

3. The Plan provides the Council with a level of flexibility in the future so that it may take advantage of opportunities and developments as they arise.

4. Focusing on the medium term horizon and the next five years in particular, the available funding will allow investment of £60m, which will enable all the Precast Reinforced Concrete (PRC) work to be completed as well as the majority of 'catch-up' repairs in respect of homes currently classed as non-Decent. Included in the £60m is £2m of Aids and Adaptations works over the five years, which maintains the current level of investment in the adaptations programme. This £60million investment includes borrowing to within £1 million of the debt cap allowed. The remaining £1 million is felt to be a prudent amount of headroom to maintain for any unforeseen emergency measures.

5. Based on the investment profile outlined above, improvements to the PRC stock would be completed by the end of year 2014/15 as originally planned, with all Decent Homes work completed by year nine of the plan.

6. At this stage the plan does not identify the total needs in relation to sheltered housing stock although the investment requirements in relation to decency are included. That stock is subject to a review that will identify the specific investment needs and viability of a number of sheltered schemes, which is currently being concluded and will be subject to future reports to Cabinet.

Consultation

7. The development of the approach to stock investment contained within the plan has built on work previously done with tenants on an annual basis and throughout the development of services since the creation of Charnwood Neighbourhood Housing (CNH). Therefore the investment profile reflects the tenants priorities to invest in the stock, and the Council's commitment to bring the stock up to decent homes standards, as evidenced through the original ALMO bid process and the subsequent application for Decent Homes backlog funding in January 2011.The plan emphasises the need to continue the stock investment programme as this is clearly one of the tenants key priorities, with a significant investment profile for stock improvements of £60 million over the first five years of the plan.

8. In January 2012 consultation took place regarding the proposed investment strategy over the 30 year business plan period to enable the views of tenants and other stakeholders, such as CNH, the Homelessness Strategy Steering Group and the key Registered Providers in the borough, to be incorporated into the final business plan.

9. To maximise the effectiveness of the consultation process, the existing range of tenant engagement mechanisms available through CNH was used and drew upon the work CNH had already undertaken with tenants to set priorities for future service delivery.

10. A questionnaire was posted to both the Council's and CNH's web sites and a meeting was held at the Hut on Ashby Road to which those tenants who had previously expressed an interest in developing the Council's Housing Services, along with the established tenant engagement groups, were invited.

11. The questionnaire asked the following questions:-

    1. Are you currently a Council Tenant?

    2. The Council is planning on borrowing around £8.5m to allow additional investment in the stock. This will mean we can still borrow an additional £1m in an emergency. Do you agree with this approach?

    3. Once our reserves (savings) are at a level of £110 per property we intend to invest any income directly into the stock. Do you agree with this approach?

    4. The Council is proposing that the basis to stock investment would be on a "worst first" approach which will see Precast Reinforced Concrete homes prioritised along with addressing other non decent homes. Do you agree with this approach? Do you think we should take a different approach to investment?

    5. The HRA Reforms give us more flexibility over how we spend our money. What do you think our priority from the following options should be?

       - improvements to the stock
       - management of services
       - management of estates
       - building new council homes

<u>Outcomes of consultation</u>

12. The questionnaire generated only a small number of responses. From the very small sample of tenants who responded to the survey, they were on the whole supportive of the proposals to maintain the emphasis on stock investment. Some were concerned that the additional borrowing on investment may lead to increased rents and there was some support for prioritising investment based on tenant behaviour.

13. In terms of priorities for investment the majority supported "investment in the stock" followed by "building new homes" and "management of estates."

14. During the meeting with tenants a number of questions were asked about the potential risks of some of the assumptions made in the plan. For example tenants were concerned about the changes in relation to welfare benefits and the possible impact this may have on rent arrears. Other comments were

made about the impact of right to buy activity and whether this had been accounted for in the plan.

15. The tenants group also expressed some concerns about how the investment would be directed. They were particularly keen to emphasise that the priority for tenants remained the provision of new heating systems, as this programme has been a significant part of the overall housing capital investment programme in recent years, and resources have previously been directed to this area of spend to reflect the tenants views.

16. The tenants group also expressed some concerns about the extent of the consultation and did not feel that they had been given sufficient opportunity to engage in the consultation process either as a group or as a wider tenant's body. This is a fair comment given that the draft HRA was not approved by Cabinet until 22nd December due to the timing of the draft determinations being received, and the budget timetable requires the final proposals to be taken through the Cabinet and Council cycle in February to ensure implementation by 1st April 2012. Overview sessions were held with the tenants group in both March 2011 and October 2011 regarding the changes to the HRA and the potential impact but no details were available at those meetings as the modelling was still being developed. However the Cabinet report approved in April 2011 did make a commitment, based on the discussion with tenants to maintain the investment levels in the stock at at least the existing Major Repair Allowance levels over the next four years. As can be seen in the plan, the investment commitment that has emerged as part of the process is now far in excess of what would have been available under the MRA system.

17. After the presentation at the Hut, the Council received a letter from the Chair of the CNH board and Chief Executive seeking clarification of a number of the financial assumptions that have been made as part of the construction of the 30 year plan. These specific questions will be responded to directly with CNH to assist their understanding of the financial modelling process.

18. Key stakeholders of the landlord service were also provided with information on the business plan and provided with an opportunity to raise any issues or concerns that they had with it. The plan was discussed at the Council's own Asset Management Team and the homelessness strategy steering group were informed of the work taking place at their January meeting and were provided with information and an opportunity to raise and queries comments or concerns with the proposals. The Homelessness strategy steering group is made up of statutory and third sector organisations with an interest in housing and homelessness within the borough. Information was also sent to housing association partners on the RSL liaison group to comment on the proposals and highlight any issues with the plan however no comments were received from any of these stakeholders.

ANNEX

Charnwood Borough Council

Housing Revenue Account Business Plan

2012-2042

1. Introduction

The National Context

In March 2010, the Department for Communities and Local Government (CLG) issued a consultation paper 'Council Housing – a real future' that set out proposals to abolish the current housing subsidy system and replace it with a system of self financing. Further details were published in a second paper, 'Implementing self-financing for Council Housing' published in February 2011 which set out the methods for calculating a self financing agreement that would commence from April 2012. Further policy documents have been released in July 2011 including 'Self Financing – Planning the transition' providing more details of the practical steps required by housing authorities to establish a system of self financing. The Government has changed the law to allow this change to take place in April 2012.

The Localism Act contained provisions that will bring in the new-self financing system and abolish the current system of annual determinations.

Self financing aims to devolve control of the management and maintenance of housing assets to a local level. In future, the Council will no longer be subject to annual funding decisions by Central Government and will therefore be able to plan on a longer term basis. With this certainty of funding, the Council will be able to plan ahead for works and procure them more efficiently. The Council will also retain rent income locally as opposed to a proportion of it being transferred to Central Government. The ability to plan in the medium to long term is a key benefit, but there is also a transfer of risk from Central to Local Government. The Housing Revenue Account (HRA) will be more exposed to changes in interest rates, high inflation and the financial impact of falling stock numbers. There will be a requirement to focus on risk management including maintaining income and controlling costs.

Preparing for HRA reform within Charnwood

Charnwood has engaged with the HRA reform agenda throughout the development of the proposed reforms. Cabinet considered the consultation in both October 2009[1] and again in June 2010[2].

In April 2011[3], Cabinet received a report outlining a proposal for a stock investment strategy covering the following 4 years. These proposals have now been incorporated into this investment strategy for the stock covering a 30 year period. The programme for the first 5 years of this business plan has been developed in greater detail than subsequent years as it is intended that this business plan will be a dynamic document being updated and amended throughout its lifecycle to ensure that maximum efficiencies are gained, and new opportunities are exploited and newly arising risks are identified and managed going forward.

[1] http://tinyurl.com/cab-oct-09
[2] http://tinyurl.com/cab-jun-10
[3] http://tinyurl.com/cab-apr-11

Overview of the Business Plan

This plan sets out the framework under which the Council will make the transition from the subsidy system to self financing, whilst ensuring adequate resources are available for management and maintenance of the stock.

It models the income available and expenditure necessary over the thirty year period and identifies the assumptions on which the modelling is based.

2. Vision

The Council recently adopted a vision for Charnwood which identified that:

"Our Neighbourhoods will be…
Flourishing and effervescent where everyone feels safe in the places where they live and visit. Our residents will all be valued, and can make a contribution to their areas, in a wide variety of ways.

Our Communities will...
Take special care of our vulnerable and ageing population if they need it, to ensure they have the opportunity to live full and active lives into older age.
Encourage our young people to be the best that they can be, giving them a chance to live to their full potential, and be supported and listened to."

The current HRA contains 5847 rented and 287 leasehold dwellings, 18 leasehold shops and 824 garages. There are 11,617 residents in the rented stock.
The landlord service is currently provided by Charnwood Neighbourhood Housing, (CNH), an Arms Length Management Organisation (ALMO). In light of the changes to funding for capital improvements and meeting the decent homes standard, and as allowed for in the management agreement, this arrangement is currently under review. This plan is being developed to allow for a flexible approach to management of the stock but presumes that any variations to the management model are cost neutral in the short term.

The vision for CNH is "Unlocking a Brighter Future." CNH is committed to delivering better services, better homes, and improving the quality of life of all residents. They aim to be a key strategic partner with the Council and other lead agencies to deliver the Community Strategy.
To achieve this they will behave in the following way:

- they will deliver continuous improvement
- they will invest in our staff
- they will meet a high proportion of customer needs
- they will value diversity, treat people with respect and dignity, avoid discrimination and promote social inclusion
- they will work in partnership

This business plan supports both the visions of the Council and the Housing Management Service as agreed by tenants and currently carried out by CNH.

3. Governance and Risk Management

Governance Structure / Scrutiny of this plan

Delivery of targets and actions within this plan will be scrutinised through the existing performance monitoring framework that has been agreed between the Council and CNH along with the existing performance management arrangements both within the Council and CNH itself. It is anticipated that priorities and targets within this business plan will be incorporated into service delivery plans and the performance monitoring framework. These include but are not limited to

- Quarterly performance monitoring meetings
- Monthly remedial plans meeting
- CNH internal monitoring processes
- Council performance scrutiny mechanisms

Scrutiny of delivery of the plan as a whole will be undertaken through the Councils scrutiny processes. It is being suggested that scrutiny of the HRA Business Plan will be added to the work programme of the Performance Panel.

Service Management

Currently housing management and property investment programme management are carried out by CNH under the terms of the Management Agreement. There is currently a Housing Options project being undertaken to identify the future service delivery model for the landlord services. It is unlikely that this project will conclude before the adoption of this business plan and so the plan has been developed and the financial modelling undertaken based on maintaining the status quo but with flexibility to adapt to an alternative delivery vehicle during the lifecycle of the plan.

Risk Management Strategy

On 13th May 2010 Cabinet adopted a Risk Management Strategy[4]. It identified that risk management will be embedded within the daily operations of the Council, from strategy and policy formulation through to business planning, general management and operational processes. It will also be applied where the Council works in partnership with other organisations to ensure that partnership risks are identified and managed appropriately.
Through understanding risks, decision-makers will be better able to evaluate the impact of a particular decision or action on the achievement of the Council's objectives.

Risk management will not focus upon risk avoidance, but on the identification and management of an acceptable level of risk. It is the Council's aim to proactively identify,

[4] http://tinyurl.com/risk-strat

understand and manage the risks inherent in our services and associated with our plans, policies and strategies, so as to support responsible, informed risk taking and as a consequence, aim to improve value for money.

This business plan has been developed to fully adopt this approach to risk.

4. Tenant Empowerment and Scrutiny

Tenants and resident involvement in setting and developing this plan

An item on HRA reform was taken to the Tenants and Residents group to discuss the implications of self financing in March 2011 and October 2011. Once the business plan modelling was completed a further item was taken in January 2012 allowing members of the group to raise questions on the plan and the financial assumptions within it.

This whole business plan has been developed to support the priorities for service and stock investment that have been identified through the ongoing tenant involvement mechanisms currently in place. As this plan evolves, customer involvement will play an important role in ensuring that the decisions being made about investment take tenants and leaseholders views into account.

The recently agreed local offers[5] set out clear priorities for service delivery and these will be supported through this plan.

The role of tenant empowerment in shaping the future plan

The new regulatory framework for housing emphasises the need for tenants to have a greater influence over the decisions being made about the services that they receive. This approach is reflected throughout the Localism Act, and the Council is committed to encouraging residents to get more involved in decisions about their neighbourhoods.
As the service moves forward, initiatives to develop tenant engagement in both service delivery and investment decisions will continue to be supported and developed.

5. Services

Current services

The landlord service provided by CNH covers a wide range of functions.

Housing Income[6] – includes managing rent accounts, rent arrears, money advice, former tenant arrears, recharges for repairs, garage rents and home contents insurance. There is a partnership approach to this work, liaising with other organisations such as the Clockwise credit union to increase financial inclusion.

[5] http://tinyurl.com/cnh-offer
[6] http://www.cnh.org.uk/payingyourrent.html

Tenancy and Estate Management[7] – Housing Officers provide advice and support on a wide range of housing related issues such as succession, transfers, alterations and improvements, anti-social behaviour. They also deal with concerns raised about the areas in which we hold stock.

Repairs and Maintenance[8] - the repairs service deal with repairs and maintenance of both tenanted and vacant stock. In addition this covers as gas servicing and repairs, and cyclical maintenance.

Tenancy Support[9] - The Tenancy Support Service aims to provide advice, support and guidance to vulnerable tenants either when moving into a new home or if difficulties arise during the course of a tenancy. Their overall aim is to help vulnerable tenants to manage better in their homes.

Housing Investment[10] - the Housing Investment team is responsible for delivering the capital investment programmes which are designed to improve the condition of the stock. This includes the decent homes programmes.

Supported Accommodation- Support services are provided to enable elderly, disabled and vulnerable residents to maintain an independent lifestyle with the added security of 24hours/day response and assistance with problems and emergencies. There are 1373 tenancies supported by Warden Services.

Tenant Involvement[11] - The Customer Engagement Team work with tenants and residents to help understand the housing issues that are important to them.
Customer engagement gives tenants the opportunity to influence the services that they receive and the chance to make a real difference to their neighbourhood.

Their Customer Engagement Strategy[12] sets out how they will work in partnership with customers to ensure they are fully involved in scrutinising, reviewing, monitoring, influencing and directing service delivery.

Anti-social Behaviour[13] – The Council and CNH's approach to anti-social behaviour is based on the three 'R's – Rights, Responsibilities and Respect.
'Rights' – we acknowledge that all our residents have the right to live in decent, warm, safe homes in decent, clean, safe neighbourhoods, free from fear of nuisance, harassment and crime.
'Responsibilities' – our residents also have responsibilities to ensure that they and their families, friends, visitors and animals behave appropriately, both within their own homes and in the vicinity. We acknowledge that in the case of those who may have less ability to honour their responsibilities because of health, age or other vulnerability, we seek to work with our partners in the support services to help them to meet their responsibilities.

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[7] http://www.cnh.org.uk/informationfortenants.html
[8] http://www.cnh.org.uk/repairsandpropertymaintenance.html
[9] http://www.cnh.org.uk/tenancy-support.html
[10] http://www.cnh.org.uk/decenthomes.html
[11] http://www.cnh.org.uk/tenantandleaseholderconsultation.html
[12] http://tinyurl.com/cust-eng
[13] http://www.cnh.org.uk/anti-socialbehaviour.html

'Respect' – we also expect our residents to respect their homes, their partners, their neighbourhood and all other people, regardless of their gender including transgender, race, nationality, religion/belief colour, ethnic origin, culture, age, sexual orientation, perceived or real illness or disability, or other bias.

Customer service information

High quality customer services will be a priority throughout the life of this business plan.
Currently this is being driven by a Customer Service Strategy that was developed by CNH in November 2010. It sets out the vision, priorities and commitments for improving customer service.
The Strategy was developed with the involvement of a range of customers and staff and sets out the following key aims:

- To ensure that our staff are trained, customer focussed, and excellent customer service becomes embedded within the organisation.
- To know our customers, both the existing and the new, and use this information to make informed decisions about our services.
- To have services which are accessible for customers in whichever way suits them, that there is choice, consultation and flexibility.
- To have a positive feedback process which leads to change and improvement, making sure that we treat all our customers fairly and equitably and we learn from our mistakes.

Performance

A formal performance framework exists to ensure that service delivery is meeting the expectations of tenants and that there is continuous improvement.
By managing performance and embedding continual improvements in key service areas resources available to invest in the stock or services can be maximised.
Key performance indicators are included at appendix two

Business Improvement

The Council and CNH are striving for continual improvement in the services we provide. There have been a number of examples of significant areas where this can be demonstrated.

- Reduction in the number of empty properties from 156 at the end of March 2010 to 121 at the end of March 2011. The reduction in the number of empty properties has led to £109k less void rental loss than 2009-10.

- Delivery of the first Annual Report to Customers in October 2010. The document was developed jointly by CNH staff and customers and outlined the key achievements and plans for improvements over the coming year.

- A Customer Service Strategy which complements the Equality and Diversity Strategy and Customer Engagement Strategy of CNH.

- Improved responsiveness of the repairs service through the implementation of the Opti-time appointment scheduling tool which enables operatives to receive and complete orders remotely through hand held devices.

- Strengthened partnership approaches to Domestic Abuse, Hate crime reporting and Integrated Offender Management, through closer partnership working and the appointment of an ASB coordinator.

- Close working between CBC and CNH on the Grounds Maintenance SLA to help drive a clear improvement in grounds maintenance provision on estates over the year, with an improvement in the average site score of 36.5% to 65% this year.

Given the changes in the financing regime, it is imperative that services are delivered in the most efficient and effective way possible as any additional savings will provide the opportunity to invest in the housing stock, especially in the early years of the Plan.

6. Asset Management

Introduction to the 5 year asset management/capital programme

On 14th April 2011 Cabinet approved a medium term investment strategy identifying priorities for investment over a four year period based on indicative funding.[14]
The tenants and residents group (TRG) were consulted on the proposals in relation to defining this four year investment strategy for the stock and were broadly supportive of the principles of maintaining investment funding at least at the previous levels of Major Repairs Allowance (MRA). Tenants were also advised of the challenges in relation to the investment priorities, and the need for a change of approach due to the self financing regime in 2012/13. Central heating and affordable warmth remain priorities for tenants, and the need to invest in the PRC and sheltered housing stock was also understood. The indicative programme from this medium term plan has been incorporated into this business plan.

The overarching priorities remain the PRC properties and decent homes. Within these major programmes the tenants' priorities of affordable warmth and good quality standards will continue to be incorporated. The detailed annual investment programmes will continue to be discussed with tenants to ensure that the investment is reflecting tenants' expectations. In addition tenants will continue to be involved in specifications for works, quality checks and influencing other areas such as choices in components.

Overview of Asset Management

In 2009 the Council adopted and Asset Management Strategy for the HRA.[15]

[14] http://tinyurl.com/MRA-Rep
[15] http://tinyurl.com/Charnwood-AMS

Information informing the Business Plan

The Council and CNH have worked to continually improve the quality of the stock condition information held against properties. The original stock options appraisal was carried out based on information collected by NBA in 2003 and this information has been updated on a standalone database over the past 9 years.

Full up to date surveys exist for around 48% of the stock, with a further 12 % expected to be completed this year. Extrapolation data has been used to inform the full evaluation, and sensitivity testing of the extrapolated data has indicated that the figures around which the investment profile is based are within a reasonable level of tolerance.

The Council is also in the process of procuring an Asset Management System to ensure that going forward contract planning and investment decisions can be made that maximise value for the council and quality of service to our tenants.

7. Options and priorities

Introduction

The business plan modelling allows for over £60m of investment over the first five years of the plan. This £60 million includes borrowing of an additional £6.7 million which may increase to within £1 million of the debt cap allowed. The remaining £1 million is felt to be a prudent amount of headroom to maintain for any unforeseen emergency measures.

Although the amount falls short of meeting all investment needs over the 5 year period, it will deliver a significant programme with £15.7m investment in the first year. This will be the single largest annual capital investment in the stock in at least the past twenty years.

Development of different approaches for the release of investment

As mentioned above the Council's aim regarding capital investment is to address the non-traditional dwelling stock and accelerate delivery of the decent homes standard. In order to achieve this, capital investment must be front loaded. The main limiting factors are the borrowing cap, as imposed by the government, and Capital Financing Requirement which limits how much can be borrowed in particular years in order to ensure that borrowings fall within the guidelines of the government's Prudential Code for local authorities' borrowings.

The current plan will enable the Council to achieve its aims in respect of stock investment whilst ensuring that the interest costs of the debt can be covered and, if it wished to do so, the debt repaid over the 30 period covered by the Plan.

Priorities and objectives

The two key priorities for stock investment for stakeholders are to address the non-traditional dwelling stock and to accelerate delivery of the decent homes standard. Over the next five years the available funding will allow investment of over £60m, which will enable all the Precast Reinforced Concrete (PRC) work to be completed as well as all the majority of 'catch-up' repairs in respect of homes currently classed as non-Decent. In the later years of the plan there may be scope to consider other investment opportunities such as new build provision. However, it is essential that the existing stock is brought up to improved standards to meet the needs of tenants.

Options for increasing investment in the short term.

There is little scope to increase borrowings for investment and the only other sources of income would be disposal of assets and the use of revenue surpluses to be used for capital investment. The model currently assumes that revenue surpluses will be used in this way whilst the government has retained the current position whereby 75% of Right to Buy proceeds are paid over to it. The remaining 25% are retained as a General Fund capital receipt and there are no plans to change this. However, any capital disposals which are not in respect of Right to Buy Sales, sales of land, garages, shops etc can be retained by the HRA and it is the Council's intention to do so should that instance occur. In addition, there is currently a review of the council's sheltered housing units and once there is a detailed report for consideration, a strategy around the investment needs of that stock can be developed, For the purposes of this plan the costs of bringing the sheltered schemes up to decent homes levels has been included, but there are no other costs around potential remodelling or improved additional facilities for these units within the plan at this stage

Funding for the payment to CLG

When the HRA reform was originally announced in 2011 various routes were considered in respect of how the Council would fund the £79.190m payment to the CLG. The main ones were:

- The Public Works Loan Board (PWLB), which is a part of the government that specialises in loans to local authorities and these loans are charged interest based on the rate the government has to pay on its borrowings plus a mark up.
- Commercial borrowings through banks and other institutions. This would require loan deeds etc and the rates would be similar to PWLB rates.
- Issue of Bonds either on a stand alone basis or with a small group of other councils. Whilst the interest rates on these bonds can be lower than PWLB rates there are quite significant issue costs relating to credit ratings, legal deeds etc.
- Using the Council's own funds. This would only be a partial solution and much of the Council's investment funds relate to short term cash flow and could not be tied up for the longer term.

Since the initial announcement about the HRA reform the government has now agreed to allow a 0.85% discount to the relevant PWLB rates specifically for this borrowing. Accordingly, this makes the PWLB rates more attractive then other rates and it will also avoid the issue/legal costs associated with bonds and other commercial borrowings. The 0.85% discount will save the Council nearly £673k a year in interest costs and the intention is to borrow all the £79.190m from the PWLB.

Funding for additional investment in the Housing Stock

The discounted rate from the PWLB is only available to fund the repayment to the government for the £79.190m. Any additional borrowing would be at their normal rates. At present it is intended to borrow a further £6.661m over the first three years of the Plan in order to progress additional capital investment in the housing stock. Currently it is intended to fund £5.0m of this from the Council's General Fund, so called 'internal borrowing', at variable rates linked to those from the PWLB and the remaining £1.66m from the PWLB at fixed rates. Final decisions will be made nearer the time, when the expenditure is to be undertaken, and will be dependent on prevailing interest rates in the market, accessibility of funding etc.

The rates used for the internal borrowing will be set to be fair to both the General Fund and HRA.

Approach to the debt split – process of splitting and implications for interest rates in the HRA business plan

As part of this exercise the council has had to consider its current borrowing of £2m and whether this is retained in a single 'debt pool' and the new loans added to it, or whether the debt should be split between the General Fund and HRA and the new loans be added to either pool as appropriate.

The £2m loan was originally taken out in 1984 and it is not possible to identify what it was used for. In association with our Treasury advisers, Sector Treasury Services Ltd (Sector), we have undertaken further analysis of this borrowing in line with CIPFA guidance on the Council's Capital Financing Requirements (CFR). The result of this is that as the HRA currently has a negative CFR this borrowing must relate to the General Fund and it will continue to be treated as such.

CIPFA and the CLG both recommend that Councils use the two pool model for managing their debt going forwards. This approach is relatively simple and allows the HRA to have its own funding structure and reduces the impact of General Fund decisions on it. After discussions with Sector it has been decided that the two pool approach is the most effective way forward for the Council and will be adopted.

Debt management policies linked to interest rate assumptions

The main purpose of the Business Plan is to show how the Council intends to mange its housing stock over the next 30 years. With any such plans there are a great deal of

unknown factors which might impact the Plan over this period and accordingly assumptions are made as to how these should be dealt with in the Plan.

The debt servicing costs for the payment to the CLG and the additional borrowing of £6.661m will rise or fall by nearly £429k for each ½% change in interest rates. As the interest must be paid each year, volatility in interest rates will directly impact on the resources available to finance repairs and maintenance plus other housing services. Volatility can be avoided by using fixed rate borrowings so that the interest payments are known at the start of the loan. However, the attractiveness of this approach would depend on one's view of future interest rates. If rates were currently high then it would not be a prudent policy to lock into them if it was anticipated that rates would go down. This could be handled by just having short term fixed loans or to use longer term variable rate loans which would track down the fall in interest rates.

UK interest rates are currently at their lowest level since they were originally set by the Bank of England over 300 years ago. In view of this it is the Council's intention, which is supported by analysis from Sector, to take most of the borrowing on a long term fixed rate basis. The only exception will probably be the internal borrowing which will reflect the relevant PWLB loan rate each year, as the remaining life of the loans reduce, so as not to disadvantage the General Fund should interest rates rise.

It is expected that initial borrowings will have maturity dates ranging from 1st April 2022 to 1st April 2062. A potential schedule of borrowings is attached as Appendix 5. The aim will be to pay back the more expensive additional borrowing first and then the £79.190m at the reduced rate next. The repayments are in line with when surplus funds are expected to become available, basically from 2022. However, the repayments have a built in time lag to cover the possibility that outcomes are different to those included in the Plan.

The maturity structure is also designed to provide the Council with a great degree of flexibility so that it can manage its housing resources as it sees fit in future years. The Plan does not assume that all the loans will be repaid within the 30 years and there is no requirement for it to do so. However, with the loans being at historically low rates it will be open to the council to make earlier repayment of loans without penalty, and perhaps with a 'dividend' as they will probably be below relevant market rates when redeemed.

Depreciation policy – dwellings and non-dwellings

Dwelling depreciation has always been based on the Major Repairs Allowance (MRA), an amount calculated by the CLG developed using thirteen property archetypes. The Major Repairs Allowance was used as the amount of capital expenditure awarded by central government to the HRA's capital expenditure programme. The MRA was funded as part of the housing subsidy system which is to be replaced by self-financing.

For the first five years of self-financing the council will use an uplifted Major Repairs Allowance as the basis for the calculation of dwelling depreciation. The MRA to be used is part of the final self-financing settlement determination. During the first five years, the council will develop a component based approach to depreciation. The various components that make up a dwelling will have differing depreciation policies, such as the roof compared

with the heating system which clearly have differing useful lifespans. At this stage those are cited as examples only and a full system of component based depreciation will be developed.

Non-dwelling HRA assets include garages, shops, stores and computer systems. These are depreciated on a straight-line basis over the remaining life of the asset in accordance with the council's Accounting Policies. Component accounting for property related non-dwelling HRA assets will be considered alongside those for dwelling assets.

Approach to minimum reserves

The HRA balance was £598k at the end of March 2011 and is expected to be over £900k by 31st March 2012. It is planned to reduce this balance to around the agreed level of £110 per dwelling, approximately £643k, by March 2014. It will be kept at a higher level in 2012/13 in order to cover any unplanned impact of these major changes.

Use of RTB receipts

It is anticipated there will be a continuation of the current arrangement whereby 75% of housing Right to Buy capital receipts are pooled (returned to central government) and 25% are used locally. However the recent Housing Strategy for England intends to replace homes sold on a one to one basis and this may require a review of the use of receipts.

The Council currently treats Right to Buy receipts as general corporate income as, when the majority of the housing stock was built, there was no division between the main Council funds and the HRA. It is not anticipated that this policy will change, subject to the caveats above.

However, it is intended that proceeds from non RTB sales, for example the sale of shops or garages will be retained by the HRA subject to any amounts that have to be paid to the government under relevant 'pooling' arrangements.

Approach to drawdown of borrowing up to cap

As mentioned above, the Council has to pay the government £79.190m to effectively buy itself out of the Housing Subsidy system. In addition, it may also borrow a further £9.579m before it hits the borrowing cap set by the government. It is the Council's intention to borrow £6.661m in the first three years of the Plan in order to accelerate the capital expenditure programme. It is not planned at present to borrow more than £8.579m, being £1m under the cap as this will be kept as a back up facility in case it is needed to respond to unplanned events such as a major storm or flood.

Efficiencies for reinvestment

The self-financing modelling has been based on revenue service delivery maintained at the current level of expenditure whilst capital expenditure and its Investment and Regeneration Management team have been increased in line with the higher investment in the capital

programme. Alongside the changes brought about by the self-financing business plan, there is a separate project being undertaken which considers the future delivery structure of the housing service. This is anticipated to deliver efficiencies which will enable additional resource for reinvestment in revenue based services and a larger capital programme.

Rent policy

The Council is working towards charging target rents for existing tenants using the nationally set rent formula. It is expected that all tenants will reach target rents by 2015/16 although some may take longer if they are constrained by the maximum increase of RPI +½% +£2.00 per 52 week rent. It has been the policy since 2009/10 to move all new lettings onto target rents at sign up making 22% of tenancies already at the target. Once properties are at the target rent they are increased in line with the Retail Price Index inflation rate.

Service charges are 'de-pooled' and recharged taking into consideration the associated direct costs such as gas, electricity and water. Increases in these are dependant on charges and the Retail Price Index.

8 Financial Strategy

Summary over 30 years

The business plan has involved an extensive exercise in modelling the financial viability of the Housing Revenue Account over the next thirty years. The details of the Housing Revenue Account are within Appendix Two and have been modelled on the basis that surpluses over the minimum revenue balance are converted into revenue contributions to capital. The key difference between the self-financing model and the current Housing Subsidy system is that an interest charge replaces the annual payment to central government.

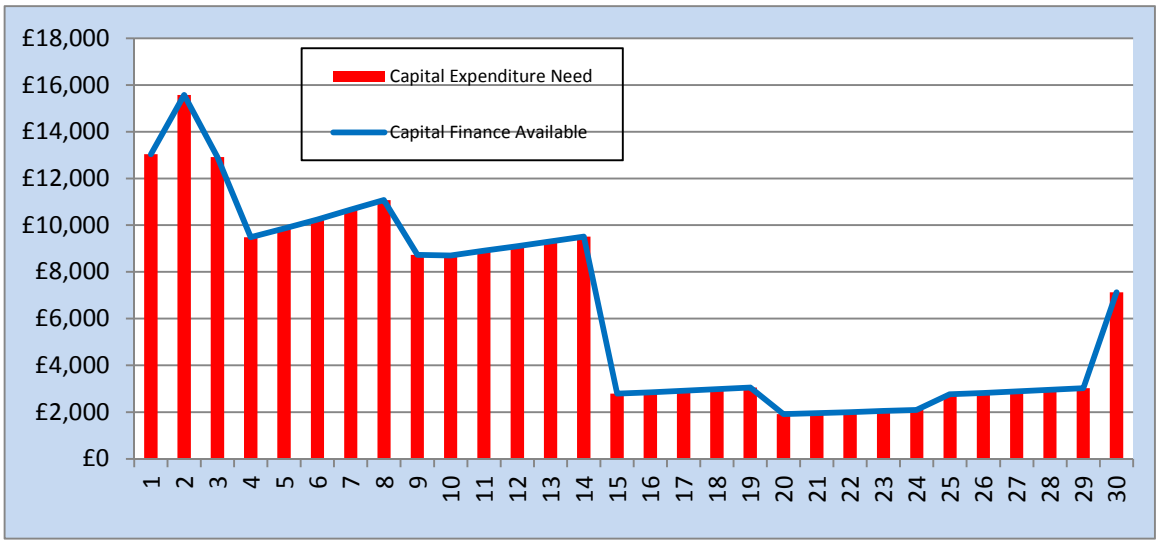
This is a summary of the capital expenditure over the next thirty years and is inclusive of inflation.

Year **£'000**	**2011.12** **Outturn**	**2012.13** **1**	**2013.14** **2**	**2014.15** **3**	**2015.16** **4**	**2016.17** **5**	**2017.18 - 2042.43** **6 - 30**
EXPENDITURE:							
Planned Variable Expenditure	2,000	2,023	5,248	2,197	2,185	6,120	97,482
Planned Fixed Expenditure	3,171	9,794	8,932	9,389	6,130	2,276	13,673
Disabled Adaptations	400	400	410	420	431	442	16,298
Other Capital Expenditure	1,123	0	0	0	0	0	0
New Build Expenditure	0	0	0	0	0	0	0
Procurement Fees	449	819	979	902	738	1,019	7,869
Previous Year's B/F Shortfall	0	0	0	0	0	0	0
Total Capital Expenditure	**7,143**	**13,036**	**15,569**	**12,908**	**9,484**	**9,857**	**135,322**

Year	2011.12	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18 - 2042.43
£'000	Outturn	1	2	3	4	5	6 - 30
FUNDING:							
Major Repairs Reserve	(3,452)	(5,943)	(5,647)	(5,788)	(5,933)	(6,081)	(104,546)
Right to Buy Receipts	0	0	0	0	0	0	0
HRA CFR Borrowing	0	(2,073)	(4,428)	(160)	0	0	0
Other Receipts/Grants	(3,329)	(2,620)	(2,620)	(3,140)	0	0	0
HRA Reserves	0	0	0	0	0	0	0
Revenue Contributions	(362)	(2,400)	(2,875)	(3,821)	(3,551)	(3,776)	(30,776)
Total Capital Funding	**(7,143)**	**(13,036)**	**(15,569)**	**(12,908)**	**(9,484)**	**(9,857)**	**(135,322)**

There remains a backlog of works to be completed of approximately £38.5m (inclusive of inflation). This backlog total has been spread over the first 5 years of the programme, with newly arising need calculated in the year. Therefore whilst the capital investment is affordable over the duration of the plan, the expenditure profile results in shortfalls in the early years peaking at £9.178m at the end of year 5 (2016/17). This can then be made up over the following years with the 'catch up' completed by year nine (2020/21). However, this catch up is greatly affected by interest and inflation rates as explained in the Sensitivities section below.

The business plan assumes that the order of priority for funding is the PRC stock and then decent homes backlog activity, then newly arising need, cyclical and estate works and expenditure is profiled to match funding in accordance in the graph below. This is based on borrowing the maximum (less £1m) being used until all backlogs are cleared. At this point, the Council could decide to either start to repay the debt, develop a new-build council house programme or some other housing projects whilst continuing to service the debt, or undertake a combination of these activities.



If the Council is able to outperform the annual revenue model, this will free up additional balances which can be reinvested in revenue contributions to capital. In the early years, this would be invested in accelerating the areas under most demand, PRCs, Decent Homes and once the backlog is complete, this could be used for new-build, other housing projects or debt repayment.

The financial model within the business plan assumes the interest rate for debt repayment at the rates set out in Appendix Five. However, the Plan has also been modelled at an interest rate of 4% and, at that higher rate, remains an affordable proposition.

Sensitivities

The model has been rigorously tested using different assumptions and sensitivities on key variables to ensure it is robust. These include:

- modelling the interest cost at 4% which is higher than the anticipated borrowing rates that will be available in March 2012 when the debt is taken out;
- using an interest rate of 5% and a general inflation rate, excluding rents of 3.5% - once again the model would still work at this level;
- similarly, with an interest rate of 5% and a general inflation rate of 4.0% the model still works;
- however with a 5% interest rate and 4.5% general inflation the model does not work.

By stating that the model 'works' we mean that it is sustainable over the 30 year period but with higher interest rates and inflation the capital investment would take longer to achieve and we might not be able to pay back any loans, though we would be able to cover the interest costs. The model ceases to work when costs consistently exceed income and we are not able to service our debt or complete necessary repairs. The crucial elements here are the interest rate and the difference between the general inflation rate, covering management costs, repairs, capital expenditure etc and the inflation rate applying to rental income. The main model assumes that these inflation rates are the same and the model becomes unsustainable when there is a difference of over 1.5% plus a high interest rate.

In practice the majority of the interest rates will be at fixed rates and these will mostly be known at the start of the Plan. Any divergence in inflation rates would then be managed by reducing costs, cutting back capital expenditure or increasing rents by a higher amount, or some combination thereof. In addition, the business plan will be updated on an annual basis to ensure it continues to provide an affordable housing programme for the future.

9. Appendices

Appendix One- Key Assumptions

Right to Buy

The Business Plan model assumes a low level of RTBs and any major increase would affect the level of rent received, though conversely it will reduce the level of repairs and direct management required. All of these items will impact on the amounts available for investment or to pay back borrowings. The impact of the government's proposed revisions to the Right To Buy Scheme is difficult to predict at this time as the full detail is not published, but the enhanced discounts likely to be offered are designed to re-invigorate the scheme.

Interest Rates

The current draft Business Plan assumes average long tem interest rates of 3.26%. On borrowings of £79.755m a 0.5% change to this rate would result in a change in expenditure of £399k a year or £11.96m over the 30 years. As with inflation, interest rates will be a major determinant as to what the Council can achieve over the period of the Plan.

Inflation

Maintenance and repair costs are assumed to increase with the general level of inflation, as are management costs.

HRA Reserves

Over the last few years the Housing service has successfully rebuilt its HRA Reserve and the Plan does not envisage that this will increase materially above the current target level of £110 per dwelling. However, the reserve level will be kept higher for the first year in order to provide potential resources should they be required in view of the large number of changes in 2012/13.

Appendix Two – Performance Summary Key PIs

NI 158 – % Non decent LA homes

YEAR	TARGET	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4 / OUTTURN
2009/10	33.60%	31.92%	31.42%	31.99%	33.61%
2010/11	35.00%	35.21%	35.06%	37.67%	37.56%
2011/12	32.00%	37.58%	37.10%	30.90%	N/a

Performance in relation to decency has fluctuated as the current level of investment has not always been sufficient to address the issue of properties falling into non-decency. The additional investment that self financing can provide however should lead to a significant improvement in performance in the early years of the plan.

BV 66a – % rent collected as a proportion of rent due

YEAR	TARGET	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4 / OUTTURN
2007/08	98.50%	87.59%	93.52%%	97.08%	98.09%
2008/09	98.60%	86.17%	93.54%	96.75%	98.94%
2009/10	98.60%	90.94%	95.62%	96.69%	98.13%
2010/11	98.70%	92.22%	94.99%	97.24%	97.99%
2011/12	98.00%	92.54%	95.00%	96.75%	N/a

Performance for BV 66a over the past 5 years shows a rent collection peak of just under 99% for the 2008/09 outturn. Performance has declined over the subsequent 2 years and the 2011/12 outturn is forecast to miss the target.

It is acknowledged that the challenging economic climate has impacted on tenants' ability to maintain rental payments. Additionally, various policy changes introduced by the coalition government will impact rent collection performance in the future.

To provide more contextual information for the falling rates of rent collection, CNH has introduced a measure to monitor the number of tenants with a Debt Relief Order (DRO).

BV 212 – Average time taken to relet LA homes

YEAR	TARGET	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4 / OUTTURN
2007/08◆	25 days	31 days	41 days	41 days	39 days
2008/09◆	40 days	Data unavailable	73 days	64 days	73 days

2009/10	40 days	67 days	86 days	84 days	91 days
2010/11	N/a*	75 days	73 days	69 days	67 days
2011/12	N/a*	80 days	67 days	64 days	N/a

* *Targets for Average relet times have been set for Designated properties and Non-designated properties.*

◆ *Data is for the quarter only (i.e. not cumulative to date) although quarter four is outturn*

In 2010/11 it was decided to introduce two separate indicators to reflect the different issues relating to lettings performance depending on the level of demand. Performance has fluctuated in recent years and the move across to choice based lettings is likely to impact on the outturn for 2011/12 as the new system beds in.

Total number of void properties

YEAR	TARGET	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4 / OUTTURN
2009/10	N/a	129	130	186	132
2010/11	100	150	128	127	129
2011/12	120	126	121	149	N/a

Lettable voids

YEAR	TARGET	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4 / OUTTURN
2009/10	*Data not collected*				
2010/11	N/a	147	126	125	125
2011/12	N/a	113	106	132	N/a

Non-lettable voids

YEAR	TARGET	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4 / OUTTURN
2009/10	*Data not collected*				
2010/11	N/a	3	2	2	4
2011/12	N/a	13	15	17	N/a

Outturn performance for 2010/11 shows a significant improvement on the previous year's peak in quarter 3.

The council launched a choice based lettings (CBL) allocation service in November 2011 requiring homeseekers to express interest in properties through 'bids'. It is expected that performance will initially fall as offers for empty properties can only be made if bids have been received, and homeseekers become familiar with the bidding process and cycle. In the longer term CBL may lead to a reduction in the number of longer term empty properties as their availability becomes more public.

A significant proportion of empty properties are hard to let sheltered units. A feasibility study has been undertaken to consider suitable options for some of the sheltered schemes and plans will be developed to reduce the number of hard to let properties.

Proportion of planned and responsive minor repairs and routine maintenance

Year	Budget £000s	planned	responsive
2008/09	4,269	25%	75%
2009/10	2,225	44%	56%
2010/11	2,114	51%	49%

Proportion of emergency and non-urgent planned and responsive minor repairs and routine maintenance

Year	Emergency and Urgent	Non-urgent
2008/09	37%	63%
2009/10	34%	66%
2010/11	33%	67%

Maximising planned maintenance and minimising the number of repairs that have to be carried out as emergency or urgent repairs ensures the most effective use of these budgets.

Appendix Three – 30 Year Revenue with finance

APPENDIX THREE

Housing Revenue Account - revenue projection (indicative of interest rates set out in Appendix Five)

Year	**2012.13**	**2013.14**	**2014.15**	**2015.16**	**2016.17**	**2017.18**	**2018.19**	**2019.20**	**2020.21**	**2021.22**	**2022.23**
£'000	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
INCOME:											
Rental Income	(20,248)	(21,232)	(22,184)	(23,100)	(23,732)	(24,380)	(25,046)	(25,730)	(26,431)	(27,148)	(27,884)
Void Losses	445	467	488	508	522	536	551	566	581	597	613
Service Charges	(426)	(437)	(447)	(459)	(470)	(482)	(494)	(506)	(519)	(532)	(545)
Non-Dwelling Income	(324)	(332)	(340)	(349)	(358)	(367)	(376)	(385)	(395)	(405)	(415)
Grants & Other Income	(635)	(635)	(636)	(638)	(640)	(643)	(659)	(675)	(692)	(709)	(712)
Total Income	**(21,187)**	**(22,169)**	**(23,119)**	**(24,038)**	**(24,678)**	**(25,335)**	**(26,024)**	**(26,731)**	**(27,455)**	**(28,196)**	**(28,942)**
EXPENDITURE:											
General Management	5,301	5,330	5,463	5,600	5,740	5,884	6,031	6,181	6,336	6,494	6,657
Other Management	44	45	46	47	48	49	50	51	53	54	55
Bad Debt Provision	121	255	244	231	237	244	250	257	264	271	279
Responsive & Cyclical Repairs	4,989	4,974	5,087	5,201	5,317	5,436	5,557	5,681	5,808	5,936	6,067
Total Revenue Expenditure	**10,455**	**10,604**	**10,840**	**11,079**	**11,342**	**11,612**	**11,889**	**12,171**	**12,461**	**12,756**	**13,058**
Interest Paid	2,575	2,738	2,788	2,777	2,777	2,777	2,777	2,777	2,777	2,777	2,777
Finance Administration	445	271	35	36	36	37	38	39	40	41	42
Interest Received	(14)	(14)	(16)	(26)	(52)	(73)	(95)	(117)	(182)	(298)	(428)
Depreciation	5,509	5,647	5,788	5,933	6,081	6,233	6,389	6,548	6,712	6,880	7,052
Net Operating Income	**(2,216)**	**(2,923)**	**(3,685)**	**(4,240)**	**(4,493)**	**(4,749)**	**(5,026)**	**(5,312)**	**(5,648)**	**(6,040)**	**(6,441)**
APPROPRIATIONS:											
Revenue Contribution to Capital	2,400	2,875	3,821	3,551	3,776	4,007	4,276	4,532	2,017	1,826	1,849
Total Appropriations	**2,400**	**2,875**	**3,821**	**3,551**	**3,776**	**4,007**	**4,276**	**4,532**	**2,017**	**1,826**	**1,849**
ANNUAL CASHFLOW	**184**	**(48)**	**136**	**(689)**	**(717)**	**(742)**	**(751)**	**(780)**	**(3,630)**	**(4,215)**	**(4,591)**

APPENDIX THREE

Housing Revenue Account - revenue projection (indicative of interest rates set out in Appendix Five)

Year	**2023.24**	**2024.25**	**2025.26**	**2026.27**	**2027.28**	**2028.29**	**2029.30**	**2030.31**	**2031.32**	**2032.33**	**2033.34**
£'000	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**
INCOME:											
Rental Income	(28,639)	(29,415)	(30,212)	(31,030)	(31,868)	(32,724)	(33,604)	(34,506)	(35,433)	(36,380)	(37,350)
Void Losses	630	647	665	683	701	720	739	759	780	800	822
Service Charges	(559)	(573)	(587)	(602)	(617)	(632)	(648)	(664)	(681)	(698)	(715)
Non-Dwelling Income	(425)	(436)	(447)	(458)	(469)	(481)	(493)	(505)	(518)	(531)	(544)
Grants & Other Income	(715)	(718)	(720)	(723)	(726)	(730)	(733)	(736)	(739)	(743)	(746)
Total Income	**(29,708)**	**(30,494)**	**(31,302)**	**(32,131)**	**(32,979)**	**(33,847)**	**(34,738)**	**(35,653)**	**(36,591)**	**(37,552)**	**(38,534)**
EXPENDITURE:											
General Management	6,823	6,994	7,169	7,348	7,531	7,720	7,913	8,111	8,313	8,521	8,734
Other Management	57	58	60	61	63	64	66	68	69	71	73
Bad Debt Provision	286	294	302	310	319	327	336	345	354	364	373
Responsive & Cyclical Repairs	6,202	6,339	6,479	6,622	6,768	6,916	7,067	7,222	7,380	7,540	7,704
Total Revenue Expenditure	**13,368**	**13,685**	**14,009**	**14,341**	**14,681**	**15,027**	**15,382**	**15,745**	**16,117**	**16,496**	**16,884**
Interest Paid	2,704	2,629	2,566	2,508	2,450	2,390	2,330	2,268	2,206	2,111	2,016
Finance Administration	43	44	45	47	48	49	50	51	53	54	55
Interest Received	(529)	(616)	(727)	(954)	(1,303)	(1,679)	(2,081)	(2,511)	(2,989)	(3,503)	(4,035)
Depreciation	7,228	7,409	7,594	7,784	7,979	8,178	8,383	8,592	8,807	9,027	9,253
Net Operating Income	**(6,894)**	**(7,343)**	**(7,815)**	**(8,404)**	**(9,125)**	**(9,881)**	**(10,675)**	**(11,507)**	**(12,399)**	**(13,365)**	**(14,361)**
APPROPRIATIONS:											
Revenue Contribution to Capital	4,650	3,697	3,922	0	0	0	0	0	0	0	0
Total Appropriations	**4,650**	**3,697**	**3,922**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
ANNUAL CASHFLOW	**(2,243)**	**(3,646)**	**(3,893)**	**(8,404)**	**(9,125)**	**(9,881)**	**(10,675)**	**(11,507)**	**(12,399)**	**(13,365)**	**(14,361)**

APPENDIX THREE

Housing Revenue Account - revenue projection (indicative of interest rates set out in Appendix Five)

Year	**2034.35**	**2035.36**	**2036.37**	**2037.38**	**2038.39**	**2039.40**	**2040.41**	**2041.42**	**2042.43**
£'000	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**	**31**
INCOME:									
Rental Income	(38,345)	(39,365)	(40,413)	(41,484)	(42,579)	(43,703)	(44,856)	(46,038)	(47,251)
Void Losses	844	866	889	913	937	961	987	1,013	1,040
Service Charges	(733)	(752)	(770)	(790)	(809)	(830)	(850)	(872)	(893)
Non-Dwelling Income	(558)	(572)	(586)	(601)	(616)	(631)	(647)	(663)	(680)
Grants & Other Income	(750)	(753)	(757)	(761)	(765)	(769)	(773)	(778)	(782)
Total Income	**(39,542)**	**(40,576)**	**(41,638)**	**(42,723)**	**(43,833)**	**(44,971)**	**(46,139)**	**(47,337)**	**(48,566)**
EXPENDITURE:									
General Management	8,953	9,176	9,406	9,641	9,882	10,129	10,382	10,642	10,908
Other Management	75	76	78	80	82	84	86	89	91
Bad Debt Provision	383	394	404	415	426	437	449	460	473
Responsive & Cyclical Repairs	7,871	8,041	8,215	8,392	8,571	8,755	8,942	9,133	9,328
Total Revenue Expenditure	**17,281**	**17,687**	**18,103**	**18,528**	**18,961**	**19,405**	**19,859**	**20,324**	**20,799**
Interest Paid	1,920	1,822	1,725	1,594	1,463	1,331	1,198	1,065	899
Finance Administration	57	58	60	61	63	64	66	68	69
Interest Received	(4,604)	(5,209)	(5,844)	(6,495)	(7,172)	(7,893)	(8,658)	(9,409)	(10,195)
Depreciation	9,484	9,721	9,964	10,213	10,469	10,730	10,999	11,274	11,555
Net Operating Income	**(15,404)**	**(16,496)**	**(17,630)**	**(18,821)**	**(20,050)**	**(21,333)**	**(22,675)**	**(24,015)**	**(25,439)**
APPROPRIATIONS:									
Revenue Contribution to Capital	0	0	0	0	0	0	0	0	0
Total Appropriations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
ANNUAL CASHFLOW	**(15,404)**	**(16,496)**	**(17,630)**	**(18,821)**	**(20,050)**	**(21,333)**	**(22,675)**	**(24,015)**	**(25,439)**

Appendix Four – Housing Capital Projections

APPENDIX FOUR **HOUSING CAPITAL PROJECTIONS**

Year	2011.12	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22
£'000	**Outturn**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
EXPENDITURE:											
Planned Variable Expenditure	2,000	2,023	5,248	2,197	2,185	6,120	6,256	6,396	6,539	6,684	7,556
Planned Fixed Expenditure	3,171	9,794	8,932	9,389	6,130	2,276	3,070	3,332	3,582	1,062	92
Disabled Adaptations	400	400	410	420	431	442	453	464	475	487	500
Other Capital Expenditure	1,123	0	0	0	0	0	0	0	0	0	0
New Build Expenditure	0	0	0	0	0	0	0	0	0	0	0
Procurement Fees	449	819	979	902	738	1,019	461	472	484	496	558
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**7,143**	**13,036**	**15,569**	**12,908**	**9,484**	**9,857**	**10,239**	**10,664**	**11,080**	**8,729**	**8,706**
FUNDING:											
Major Repairs Reserve	(3,452)	(5,943)	(5,647)	(5,788)	(5,933)	(6,081)	(6,233)	(6,389)	(6,548)	(6,712)	(6,880)
Right to Buy Receipts	0	0	0	0	0	0	0	0	0	0	0
HRA CFR Borrowing	0	(2,073)	(4,428)	(160)	0	0	0	0	0	0	0
Other Receipts/Grants	(3,329)	(2,620)	(2,620)	(3,140)	0	0	0	0	0	0	0
HRA Reserves	0	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	(362)	(2,400)	(2,875)	(3,821)	(3,551)	(3,776)	(4,007)	(4,276)	(4,532)	(2,017)	(1,826)
Total Capital Funding	**(7,143)**	**(13,036)**	**(15,569)**	**(12,908)**	**(9,484)**	**(9,857)**	**(10,239)**	**(10,664)**	**(11,080)**	**(8,729)**	**(8,706)**

APPENDIX FOUR **HOUSING CAPITAL PROJECTIONS**

Year	**2022.23**	**2023.24**	**2024.25**	**2025.26**	**2026.27**	**2027.28**	**2028.29**	**2029.30**	**2030.31**	**2031.32**	**2032.33**
£'000	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**
EXPENDITURE:											
Planned Variable Expenditure	7,724	7,894	8,069	8,247	1,936	1,978	2,022	2,066	2,111	1,031	1,054
Planned Fixed Expenditure	94	96	99	101	104	106	109	112	114	117	120
Disabled Adaptations	512	525	538	551	565	579	594	609	624	639	655
Other Capital Expenditure	0	0	0	0	0	0	0	0	0	0	0
New Build Expenditure	0	0	0	0	0	0	0	0	0	0	0
Procurement Fees	572	586	601	616	180	184	189	193	198	124	127
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**8,901**	**9,102**	**9,306**	**9,516**	**2,784**	**2,848**	**2,913**	**2,980**	**3,048**	**1,912**	**1,956**
FUNDING:											
Major Repairs Reserve	(7,052)	(4,451)	(5,609)	(5,594)	(2,784)	(2,848)	(2,913)	(2,980)	(3,048)	(1,912)	(1,956)
Right to Buy Receipts	0	0	0	0	0	0	0	0	0	0	0
HRA CFR Borrowing	0	0	0	0	0	0	0	0	0	0	0
Other Receipts/Grants	0	0	0	0	0	0	0	0	0	0	0
HRA Reserves	0	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	(1,849)	(4,650)	(3,697)	(3,922)	0	0	0	0	0	0	0
Total Capital Funding	**(8,901)**	**(9,102)**	**(9,306)**	**(9,516)**	**(2,784)**	**(2,848)**	**(2,913)**	**(2,980)**	**(3,048)**	**(1,912)**	**(1,956)**

APPENDIX FOUR **HOUSING CAPITAL PROJECTIONS**

Year	**2033.34**	**2034.35**	**2035.36**	**2036.37**	**2037.38**	**2038.39**	**2039.40**	**2040.41**	**2041.42**	**2042.43**
£'000	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**	**31**
EXPENDITURE:										
Planned Variable Expenditure	1,077	1,100	1,124	1,723	1,760	1,798	1,836	1,875	5,676	1,950
Planned Fixed Expenditure	123	126	129	133	136	139	143	146	150	138
Disabled Adaptations	672	689	706	723	742	760	779	799	819	839
Other Capital Expenditure	0	0	0	0	0	0	0	0	0	0
New Build Expenditure	0	0	0	0	0	0	0	0	0	0
Procurement Fees	130	133	136	181	186	190	195	200	480	0
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**2,001**	**2,048**	**2,095**	**2,760**	**2,823**	**2,887**	**2,953**	**3,020**	**7,124**	**2,927**
FUNDING:										
Major Repairs Reserve	(2,001)	(2,048)	(2,095)	(2,760)	(2,823)	(2,887)	(2,953)	(3,020)	(7,124)	(2,927)
Right to Buy Receipts	0	0	0	0	0	0	0	0	0	0
HRA CFR Borrowing	0	0	0	0	0	0	0	0	0	0
Other Receipts/Grants	0	0	0	0	0	0	0	0	0	0
HRA Reserves	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	0	0	0	0	0	0	0	0	0	0
Total Capital Funding	**(2,001)**	**(2,048)**	**(2,095)**	**(2,760)**	**(2,823)**	**(2,887)**	**(2,953)**	**(3,020)**	**(7,124)**	**(2,927)**

Appendix Five – Estimated Debt Interest Profile for the housing revenue account

Note: This is indicative of the borrowing costs for the self-financing process.
The actual costs will depend completely on the macro economic conditions and their impact on national interest rates as at 26 March 2012.

	Loan Amount £m	Maturity Date	Interest Rate Estimate %	Annual Interest Charge £
HRA Settlement - assumes that the full amount is borrowed and all from PWLB				
24/1/2012 rate less 0.85%	1.000	01/04/24	2.69%	26,900
24/1/2012 rate less 0.85%	2.000	01/04/25	2.79%	55,800
24/1/2012 rate less 0.85%	2.000	01/04/26	2.86%	57,200
24/1/2012 rate less 0.85%	2.000	01/04/27	2.93%	58,600
24/1/2012 rate less 0.85%	2.000	01/04/28	2.98%	59,600
24/1/2012 rate less 0.85%	2.000	01/04/29	3.03%	60,600
24/1/2012 rate less 0.85%	2.000	01/04/30	3.08%	61,600
24/1/2012 rate less 0.85%	2.000	01/04/31	3.12%	62,400
24/1/2012 rate less 0.85%	3.000	01/04/32	3.15%	94,500
24/1/2012 rate less 0.85%	3.000	01/04/33	3.18%	95,400
24/1/2012 rate less 0.85%	3.000	01/04/34	3.21%	96,300
24/1/2012 rate less 0.85%	3.000	01/04/35	3.24%	97,200
24/1/2012 rate less 0.85%	3.000	01/04/36	3.26%	97,800
24/1/2012 rate less 0.85%	4.000	01/04/37	3.27%	130,800
24/1/2012 rate less 0.85%	4.000	01/04/38	3.29%	131,600
24/1/2012 rate less 0.85%	4.000	01/04/39	3.30%	132,000
24/1/2012 rate less 0.85%	4.000	01/04/40	3.31%	132,400
24/1/2012 rate less 0.85%	4.000	01/04/41	3.32%	132,800
24/1/2012 rate less 0.85%	5.000	01/04/42	3.34%	167,000
24/1/2012 rate less 0.85%	5.000	01/04/43	3.35%	167,500
24/1/2012 rate less 0.85%	9.190	01/04/52	3.36%	308,784
24/1/2012 rate less 0.85%	10.000	01/04/62	3.33%	333,000
Total/Average	**79.190**		**3.23%**	**2,559,784**
Additional Borrowing for Capital Expenditure in first 3 years				
Internal Borrowing in 2012/13 From General Fund, renewable each year, at PWLB 10 year rate without discount	2.073	01/04/22	3.30%	68,409
Internal Borrowing From General Fund in 2013/14, renewable each year, at PWLB 10 year rate without discount, Sector forecast for 1/4/13	2.928	01/04/23	3.50%	102,480

PWLB borrowing in 2013/14 at PWLB 10 year rate without discount, Sector Forecast	1.500	01/04/23	3.50%	52,500
PWLB borrowing in 2014/15 at PWLB 10 year rate without discount, Sector Forecast	0.160	01/04/24	4.00%	6,400
Total/Average - Note #	**6.661**		**3.45%**	**229,789**
TOTAL FOR FULL YEAR FROM 2014/15	**85.851**		**3.25%**	**2,789,573**

Note # - Further borrowing up to a limit of £8.579m may be undertaken in subsequent years.

Appendix Six - Risk management strategy

The Council risk management strategy is available at https://www.charnwood.gov.uk/files/documents/risk_management/Risk%20Management%20Strategy.pdf