



**HOUSING  
REVENUE ACCOUNT  
BUSINESS PLAN  
2014 – 2044**

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## 1. INTRODUCTION

### 1.1 Purpose of the Housing Revenue Account Business Plan

The Housing Revenue Account (HRA) Business Plan sets out how the Council intends to meet the investment requirements necessary to deliver the housing service and maintain its HRA properties over the next 30 years. It also considers opportunities for building new council homes.

It details resources and how the Council plans to use them to deliver decent homes<sup>1</sup> and the Charnwood Standard<sup>2</sup>. The Charnwood Standard will provide higher quality homes compared to the decent homes standard. Investing in homes and neighbourhoods will improve the quality of life for tenants and leaseholders and will also have a measurable impact on the local economy.

This Business Plan covers the period 2014 to 2044 and updates the Business Plan approved in February 2012. The financial modelling has been produced by the Chartered Institute of Housing. The Business Plan considers:

- ◀ the priorities and investment requirements for the Council's housing stock over the next five years in detail;
- ◀ tenant priorities for the capital programme;
- ◀ indicative investment needs for years 6 to 30;
- ◀ opportunities to provide additional units;
- ◀ the sources of funding to deliver the Business Plan.

This is a financial plan which will be used to inform budget setting each year. Budgets will continue to be set annually by Council in accordance with the Council's budget setting process. Assumptions made in this Business Plan will be reviewed as part of this process.

### 1.2 The National Context

In April 2012, the government reformed arrangements for council housing finance and ended the Housing Revenue Account (HRA) subsidy system<sup>3</sup>. Under the previous arrangements, councils had to pay an annual amount from tenants' rents into a national funding system. This reduced the Council's ability to control and influence local spending and reduced resources available to reinvest in the housing stock.

The changes introduced enabled councils to keep their rental income and use it to fund housing stock and estate improvements, as well as providing opportunities to build new homes. This is known as 'self-financing'. The powers to introduce self-financing were included in the Localism Act 2011.

Councils whose existing housing debt was higher than the value of their stock had some debt paid off by the government. Councils whose debt was lower than the value of their stock were required to borrow to pay the difference to the government. These payments were based on a valuation of each council's stock, using a 30-year discounted cash flow model of income and expenditure.

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<sup>1</sup> Appendix 1

<sup>2</sup> Appendix 2

<sup>3</sup> Source: HRA Reform (self-financing) [www.gov.uk](http://www.gov.uk)

As a result, the Council took on a debt of £79.19m under these self-financing rules. This is currently financed by 24 fixed interest loans from the Public Works Loans Board repayable from 2024 to 2061. Repayment is costed into the Business Plan.

The objectives of the HRA reforms were to give:

- councils the resources, incentives and flexibility they needed to manage their own housing stock both in the short and long term and to improve quality and efficiency;
- tenants the information they needed to hold their landlord to account, by creating a clear relationship between the rent a landlord collects and the services they provide.

Councils are allowed to borrow over and above their original debt settlement figures. However, the government has imposed a cap on the overall level of borrowing councils can undertake against their HRA. This was considered necessary to ensure overall levels of public sector spending could be managed and to help reduce the national deficit. The debt cap for Charnwood is £88.77m.

Since the new rules have been in place, the Council has borrowed additional money to finance decent homes. The total amount borrowed at the end of 2013/14 was £82.39m. In order to fund the 2014/15 capital programme it is estimated that additional borrowing of £1.162m will be required.

### **1.3 Remodelling the 2012 HRA Business Plan**

The previous HRA Business Plan was approved in 2012 and showed a positive position but with uncertainties over how the self-financing settlement would materialise. It demonstrated that, in the first few years, finance was available only for the decent homes standard. Assumptions about the level of resources within the plan have been made and are covered later in this document.

The Business Plan 2014 – 2044:

- shows the sustainability of the existing housing stock and that it can be maintained to a high standard;
- shows how viable current plans are in the long term;
- identifies that there should be money available for investment in new homes and investment in existing stock and services – and where that money comes from;
- Reflects tenants' priorities.

Forecasts have been subject to a series of sensitivities to test resilience to changes in financial conditions. These highlight the investment potential within the plan. Work has then been undertaken to develop a range of different scenarios for investment. Scenarios have been informed by a detailed investigation into the housing stock base through the asset management database.

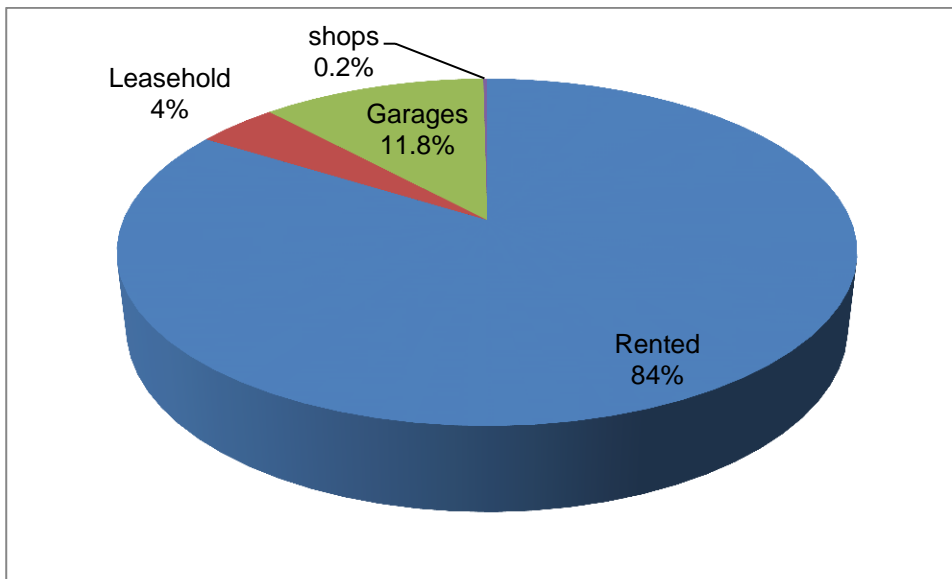
### **1.4 Stock Numbers**

The Council owns a total of 6,075 dwellings, plus garages and shops as shown below. The majority (84%) is rented dwellings. Leasehold properties account for 4% of the housing stock.

Type	Number
Rented dwellings	5,784
Leasehold dwellings	291
<b>Total dwellings</b>	<b>6,075</b>
Garages	807
Shops	14
<b>Total units</b>	<b>6,896</b>

*\*end of March 2014*

## Stock composition March 2014



## 2. DELIVERING THE COUNCIL'S VALUES AND CORPORATE PLAN

The Council's Corporate Plan for 2012 to 2016 is underpinned by the values of

- ◀ putting the customer at the heart of everything we do;
- ◀ working together as one council and in partnership;
- ◀ taking pride in Charnwood and always striving for improvement.

The HRA Business Plan 2014 to 2044 supports the delivery of these values by investing resources into housing stock and neighborhoods over the next five years. Now that the backlog of non-decency is coming to an end, investment in communal and estate improvements is now possible under the HRA self-financing regime. There are also opportunities to build new housing.

Tenants have told us that their top priorities are improvements to kitchens, bathrooms and heating. The priorities proposed for investment to deliver the Council's values for the next five years, therefore, are:

- ◀ £15.759m investment in kitchens, bathrooms and heating in accordance with priorities identified by tenants;

- ◀ Increased additional resources of £0.7m for external and internal painting to enhance the appearance of the estates and communal areas;
- ◀ £0.57m for the installation or upgrading of door entry systems to reduce anti-social behaviour in communal areas and ensure residents feel safe in their homes;
- ◀ £1.1m for improvements to communal areas and estates, including fencing, paths, additional parking and storage to improve neighbourhoods;
- ◀ £0.25m delegated to tenants for them to spend on priorities identified by tenants groups;
- ◀ £3.1m for adaptations for disabled vulnerable tenants;
- ◀ £4m in 2017/18 to continue the programme of improvements to sheltered housing.

*(current prices – Business Plan model will add inflation)*

### **3. RISK MANAGEMENT AND GOVERNANCE**

#### **3.1 Risk Management**

In accordance with the Council's risk management strategy, risk management is embedded within the daily operations of the Council, from strategy and policy formulation through to business planning, general management and operational processes. It is also applied where the Council works in partnership with other organisations and ensures that partnership risks are identified and managed appropriately.

Risk management focuses on the identification and management of an acceptable level of risk. The Council's risk management team of Directors and Heads and Service meets quarterly to review and identify risk and mitigating actions, ensuring that the necessary mitigation actions are identified and actioned.

The Housing Revenue Account Business Plan risks, together with sensitivities and assumptions that could affect delivery have been identified and mitigating actions identified.

The main risks to the HRA that have potential to affect the delivery of the plan are set out below. Risk management strategies against these are set out in Appendix 5; and a financial sensitivity of the plan is included within Appendix 3.

The main risks identified are listed below.

- Inaccurate stock condition information, resulting in an inaccurate assessment of costs for delivering the Charnwood Standard;
- Cost inflation higher than estimated. However, as well as increasing costs, income would also increase because rent increases would be higher;
- Interest rates higher than estimated – 3.03% has been estimated for the £1.162m that is to be borrowed in 2014/15, and 4% has been estimated for the £4.832m that is to be borrowed in 2017/18;
- Government right to buy policy has increased discounts and this could lead to higher than estimated sales;
- Welfare reform and its impact upon bad debt provision could be higher than estimated;

- Re-opening of the self-financing settlement resulting in the Council being required to borrow more money to pay to government;
- Further changes to rent policy;
- Future government policy changes;
- Loss of Supporting People grant.

### **3.2 Performance Monitoring**

Delivery of targets and actions within this plan will be scrutinised through the existing performance management framework which includes:

- ◀ Monthly performance monitoring;
- ◀ Quarterly performance monitoring by Housing Management Advisory Board;
- ◀ Quarterly performance monitoring of the capital programme by the corporate capital programme team;
- ◀ Council performance and scrutiny mechanisms.

## **4. TENANT CONSULTATION**

Tenants were consulted over priorities for spend as part of the budget setting process for 2014/15 and this included identifying what was most important in terms of investment in homes and estates. Top priorities were kitchens, heating and bathrooms. Now that the backlog of non-decency has been dealt with, tenants wish to see investment in improvements to the appearance of communal areas and estates, including provision of additional parking.

The Chartered Institute of Housing held a briefing and consultation session with tenants on the 4<sup>th</sup> August 2014.

Housing Management Advisory Board considered the priorities for the draft Business Plan and Housing Asset Management Strategy at its meeting on the 13<sup>th</sup> August 2014.

## **5. CHANGES SINCE THE HRA BUSINESS PLAN 2012-2042**

### **5.1 Self-financing**

The introduction of self-financing of the HRA has been completed and subsidy and other grants from government have ended. The Council is now responsible for financing investment in its housing service from a combination of rental income and borrowing, subject to a borrowing cap of £88.77m.

### **5.2 Management of the Housing Stock**

In November 2012, following an options appraisal carried out by the Chartered Institute of Housing, the management agreement with Charnwood Neighbourhood Housing was brought to an end, and since then the Council has managed the housing stock directly. The Housing Management Advisory Board was established by the Council as part of this process, to ensure that tenants remain at the heart of decision making and are able to influence service delivery. Bringing service delivery back in-house saved £0.5m per year. In addition, it has been possible to increase the revenue contribution to capital by an additional £0.45m from 2014/15 onwards.

### **5.3 Reduced levels of non-decency**

At the end of March 2014, non-decency had been reduced to 3.5%, the lowest level reported. There will be no general needs non-decency from 2016/2017 onwards. There is, therefore, now an opportunity for increased investment in planned maintenance (including painting) and other improvements to estates and neighbourhoods in line with tenant priorities. The issues of non-traditional (PRC) stock have also been addressed. More details are shown in the Housing Asset Management Strategy.

### **5.4 The Charnwood Standard**

In March 2013, Cabinet adopted the Charnwood Standard for investment in its housing stock. This is attached in Appendix 2. This is an enhancement on the decent homes standard and will deliver improved quality of accommodation for tenants. The costs of delivering the enhanced standard are financed within the Business Plan. It is proposed that £25m will be spent over the next five years.

### **5.5 Reduced rental income**

Government has changed the rent setting formula and only void properties will move to the formula rent level. As a result, the Council has reduced its estimated rental income in the region of £0.5m per year from 2015/16 onwards.

### **5.6 Changes to the Right to Buy**

In July 2014, the maximum right to buy discounts increased to £77,000. The Council sold 39 properties in 2013/14. It is estimated that 45 properties will be sold in 2014/15 and 40 per year for the next five years. The Business Plan will be reviewed in three years' time to identify any further pressures from the right to buy.

### **5.7 Opportunities for New Build**

The Council has signed up to the government's right to buy receipt retention scheme and will retain additional capital receipts of up to £0.5m which must be spent on delivering new housing by the end of March 2018. Finance of £1.5m is provided for within the Business Plan to deliver 10 new build units. Under the scheme, the retained receipts will fund 30% of the costs.

However, the scheme is due to run only until March 2015 and there has been no consultation or information from government on what the arrangements will be from April 2015 onwards. At this stage, therefore, no further provision has been made within the Business Plan for more new build using the scheme. This will be addressed when the Business Plan is reviewed in 3 years' time.

## **6. INVESTMENT LEVELS IN DWELLINGS AND ESTATE IMPROVEMENTS**

### **6.1 Charnwood Standard Delivery Plan 2014 to 2019**

Over the next five years it is proposed that £25m be invested to bring all homes up to the enhanced Charnwood Standard. By the end of 2016/17 there will be no non-decent general needs properties. The investment plan is summarised in the table that follows.



Description	Total investment	Total units
Electrical upgrades	£4,079,700	1360
Kitchens	£8,386,700	2396
Bathrooms	£4,469,500	2125
Heating	£2,902,700	724
Windows	£90,000	27
Doors	£1,574,700	1578
Roofs	£1,503,100	300
Structural	£1,270,000	210
Asbestos	£425,000	477
Carbon monoxide & smoke alarms	£328,000	1925
Insulation	£350,000	1166
<b>Total</b>	<b>£25,379,400*</b>	

\*current prices – Business Plan model adds inflation

The Business Plan identifies that £92.46 million is required over years 6 to 30 to maintain the Charnwood Standard and this is affordable and costed into the Business Plan.

Demand for disabled adaptations continues to rise and resources have been increased with £3.1m being available over the next five years. This supports the Council's key priority of supporting vulnerable tenants.

Over the next five years £1.1m will be available for improvements to communal areas and estates. This will include fencing, paths, additional parking and storage to improve neighbourhoods.

## 7. FINANCIAL STRATEGY

Detailed financial modelling has been developed with the Chartered Institute of Housing to support this business plan. Using the HRA budget for 2014/15 and the investment for the 30 year capital programme, the three key conclusions from the forecast are:

- There will be sufficient resources both in the short and long term to meet obligations towards the housing stock, the housing debt and deliver tenant priorities;
- The availability of resources to meet these obligations should be relatively resilient to changes in financial conditions;
- There will be additional resources arising in the medium to long-term within the business plan which can be reinvested in meeting more priorities.

The business plan baseline forecast model utilises the budget for 2014/15 as the basis for forecasting revenue expenditure and income forward over 30 years, but with the opening balances adjusted to the latest audited figures. The capital expenditure is based on the asset management database outputs for 2014/15 with year 1 matching the latest capital programme projections.

Core inflation within the plan is forecast to be 2.5% for non-rental income (excluding supporting people grant). Rental income is discussed later in this section.

In projecting forward over 30 years, assumptions have been made around future changes in income, expenditure and stock investment needs. A short commentary on each of the assumptions made within the baseline forecast is set out below.

## **7.1 Property numbers**

Due to the reinvigoration of the right to buy policy, sale numbers have exceeded those experienced in recent years. It is estimated that 45 will be sold in 2014/15, 40 for the next 4 years and then gradually downwards.

As the Council has entered into a local agreement with the government for the reinvestment of additional right to buy receipts following the change in discount rates implemented in April 2012, sales will result in resources for reinvestment in new or replacement homes. The sale of the forecast 45 properties will result in an estimated £0.5 million receipt which will be utilised on the 10 new build units we are planning, with the balance of the funding for this project coming from a combination of new borrowing and revenue contributions.

With the higher number of sales, receipts for reinvestment for new homes will continue to accrue and further plans will be required to utilise these. This will be considered when the Business Plan is reviewed in 3 years' time and will be subject to the rules set by government at the time. The current rules on use of right to buy receipts end in March 2015 and new proposals from government are awaited.

## **7.2 Rental income**

The self-financing settlement and associated debt calculation was based on the government's policy of social rent restructuring. The Council adopted this policy from its inception in 2002 and the financial forecast in the HRA Business Plan 2012 was based on continued progression towards the implementation of target rents.

The government's assumption within the settlement was for convergence in April 2015 (suitably adjusted for authorities like Charnwood where not all properties would reach target by that date).

The government confirmed earlier this year that it would be changing the rent policy for social rent in that the main inflationary driver of RPI (Retail Price Index inflation) plus 0.5%, plus up to £2, would be replaced by CPI (Consumer Price Index) plus 1.0%. Unlike the RPI, CPI does not include mortgage interest or council tax and this usually results in a lower figure.

In addition, following last year's consultation, the ability for convergence has been withdrawn which will affect the rent forecasts from the previous business plan. It is estimated that rental income will be reduced by £0.5m per year from 2015/16 and this has been costed into the Business Plan.

## **7.3 Void levels**

Void levels are estimated at 2.2% for all stock. The resulting rent loss has been costed into the Business Plan.

## 7.4 Bad debt provision

The budget for bad debts (i.e. unpaid rent arrears) has increased to £0.255m (1.17% of rental income) for 2014/15. This will be kept under close review but the financial modelling maintains the provision at this level for the whole plan with a minor increase to 1.25% with the exception of years 3 to 5 which peak at 2%. This peak is due to the introduction of Universal Credit with rent payments being made direct to tenants rather than directly into rent accounts. Direct payment will be possible where arrears occur but it is anticipated it will take time for arrangements to be put in place.

The bad debt provision is summarised below.

Year 1 (2014/15)	1.17%	£255k
Year 2	1.25%	£280k
Year 3	1.75%	£400k
Year 4	2.00%	£468k
Year 5	1.50%	£360k
Year 6	1.25%	£313K

## 7.5 Treasury Management

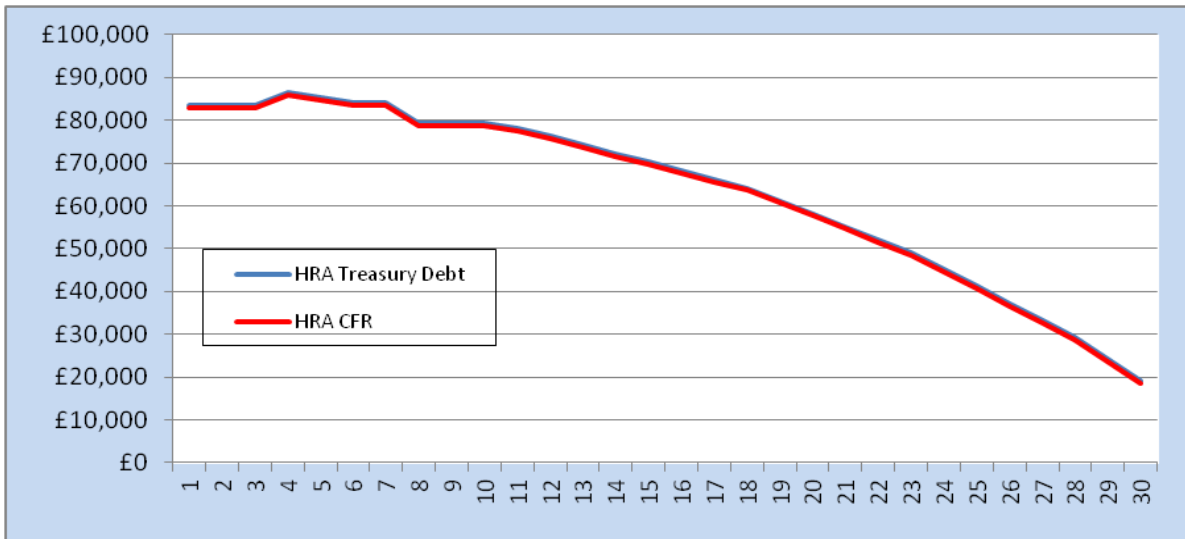
As detailed earlier, as part of self-financing the Council undertook borrowing of £79.19m in 2012. Additional borrowing is required to finance the capital programme and this will total £5.99m by March 2018. This will result in a total HRA debt of £86.38m. Detail is shown in the table below.

Total borrowing at end of 2013/14	£82.39m
Plus new borrowing required by March 2018	£5.99m
Less short term loan to be repaid	£2m
Total estimated borrowing at end of year 5 (Mar 2019)	£86.38m
Borrowing cap set by government	£88.77m
Remaining borrowing capacity	£2.39m

The remaining borrowing capacity is considered necessary in view of the assumptions and sensitivities in relation to the level of right to buy, bad debts and other risks identified in Appendix 5.

The current debt for the HRA is a mix of 26 individual loans (of which 2 are internal) with differing interest rates and repayment dates. Proposed borrowing by way of a further 2 loans as per the cash flow requirements has been included. The loan maturity profile is demonstrated in the following table.

### 7.5.1 Treasury Loan Maturity Profile £'000



Over the next 30 years the current loan portfolio will reduce from £82.39m at the beginning of 2013/14 to £19.19million. This chart includes future borrowing necessary to finance and maintain the Charnwood Housing Standard.

The Council will review its approach to treasury and debt management on an ongoing basis and no decisions have yet been taken around the options for financing and refinancing of loans over the 30 years of the plan. It is difficult to predict interest rates going forward and the Council will determine its approach to borrowing and debt at the relevant time when loans become due.

The baseline model within this business plan is therefore based on the implicit assumption of the repayment of loans when they mature.

There are a number of options as to how the Council could deal with debt over the lifetime of the plan – some will be appropriate at some periods and some more appropriate at others. Essentially, as the plan generates resources, one or a combination of the following can be done:

- Repay loans before they fall due – reducing the amount of debt and interest costs, and increasing future borrowing headroom;
- Hold money in reserves – and earn interest income, although currently interest earnings on deposits are very low;
- Invest in new homes, existing stock or services – which could deliver increased rental income, and potentially, therefore, deliver a longer term and higher return on investment, or prevent future expenditure liabilities.

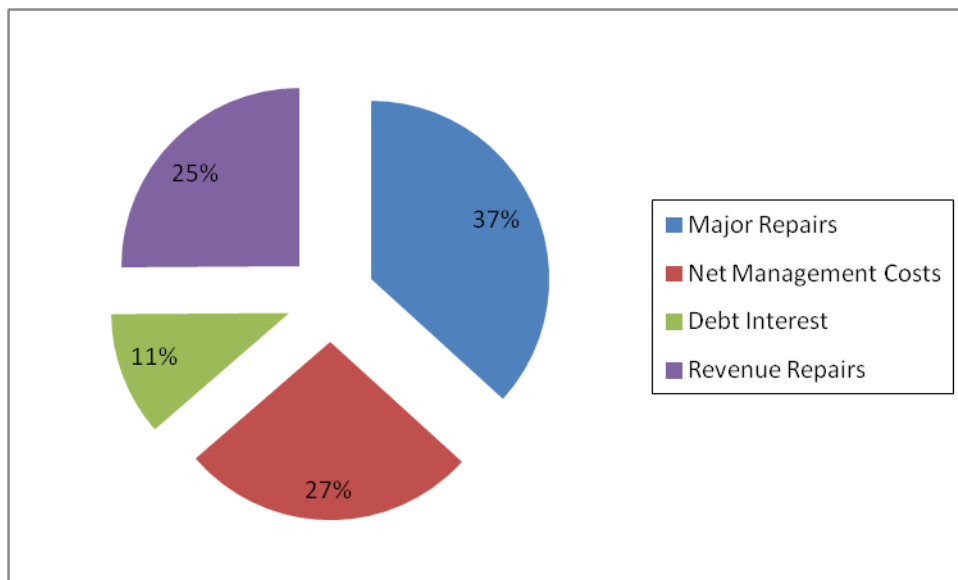
As decisions are taken in the future, the balance between these approaches and the refinancing of debt will need to be sufficiently flexible to respond to the financial environment at the time and positioned to deliver the objectives within the business plan and wider housing/corporate strategies. The Council will therefore continue to seek expert advice in order to further inform the options for debt management going forward, including identifying whether there are options for cost savings from a more efficient restructuring of the HRA's debt.

As part of the treasury strategy, it is assumed that revenue balances should not fall below £0.9million, allowing for inflation in future years. This is necessary in view of the risks identified in Appendix 5.

## 7.6 Service Revenue Income and Expenditure

The chart below shows the way in which rents and other income for 2014/15 is used:

*Breakdown of How Rent is Spent (2014/15)*



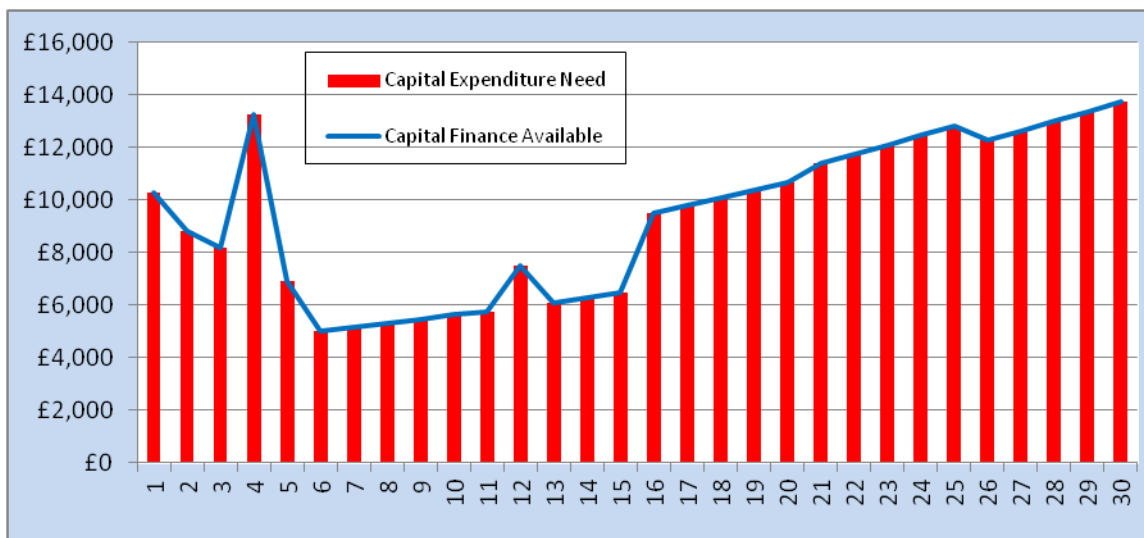
All revenue income and expenditure has been forecast forward based on core inflation only from the 2014/15 budget with adjustments for one-off expenditure items and future known costs that will arise.

The overall outcome of this approach is that the Council plans to control expenditure on day-to-day services to inflation only (with the exception of repairs, and additional investment in tenancy support), whilst rental income increases above inflation. This is vital to the plan as it means that, over time, the amount spent on day-to-day services as a proportion of rental income will reduce and the amount for investment in capital and new homes will proportionately increase.

## 7.7 Capital Investment Needs and Resourcing

Based on the latest capital programme and investment requirements from the Asset Management Database the following chart demonstrates the future spend levels inclusive of inflation, overheads, disabled adaptations and other minor capital spend. It shows that predicted expenditure is fully funded.

### 7.7.1 Capital Expenditure and Financing £'000



The headlines are:

- Planned Capital Investment, including the planned 10 new build units can be fully financed;
- During this period the HRA reserve balances do not fall below £0.9m (inflated);
- Borrowing is utilised up to the value of £5.99m, leaving £2.39m headroom remaining (at its lowest point).

Reserves will be adequate over the 30 years of the Business Plan.

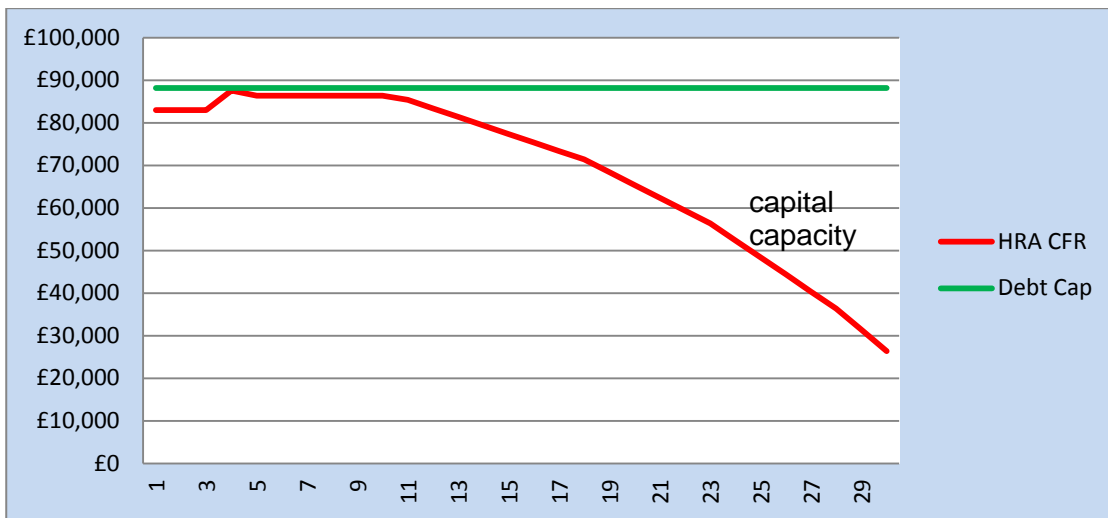
### 7.8 The Short to Medium-term Resources Available (Years 2 – 5)

With the high levels of investment in the Charnwood Housing Standard and estate improvements, where it is proposed to spend circa £45m (including delivery costs) over the next 5 years (from 2014/15 and with inflation), there is little scope for significant additional investment, other than that already identified in the Business Plan.

Reviewing the resources available for the next 5 years (2014/15 to 2018/19), HRA balances will be at or over their minimum reserve level of £0.9m. However, the borrowing headroom reduces to a minimum of £2.39m in 2017/18.

In future years, once the Charnwood Housing Standard has been achieved, the capacity of the plan for additional expenditure increases. This is shown in the table below for both the HRA and borrowing headroom over the next 30 years.

### 7.8.1 Projected Capacity Available £'000



The above chart shows the difference between the HRA capital requirement and the debt cap as being the future capacity to carry out additional capital works whilst staying within the borrowing limits. (The difference between the green line and the borrowing cap (red line) which is reducing as debt is rescheduled to be repaid).

The above available resources may well be restricted in terms of the key risks that the HRA faces in terms of the impact of welfare reform and other factors. The sensitivity section below demonstrates the potential impact to the HRA and the available resources.

The Council will continually revisit and update this business plan in terms of developing its forward strategy, including the asset management strategy, and how to make best use of these resources.

## 7.9 Sensitivity to Changes in Assumptions

Whilst the plan makes assumptions about future behaviour of income and expenditure, there are consequences if these do not prove to be accurate.

In order to show the sensitivity of the business plan forecast to changes in assumptions and financial conditions, the plan shows below how the forecast for the key outputs change based on some changes to key assumptions, some within the Council's control, some outside.

The following sensitivities have been modelled:

- Welfare Reform (1): With the proposed phased introduction of Universal Credit and direct payments of rent to tenants rather than directly into the rent account as at present, arrears are anticipated to increase and, therefore, bad debt provision needs to be made for this. This sensitivity assumes the provision will increase from 1.25% to 3% and then back down to 1.5% over the period of 10 years.
- Welfare Reform (2): In this sensitivity the management costs are increased by £60,000 to allow for additional tenancy support (over that provided for), with bad debts not increasing over 1.25s.

- Social Rent Policy: This assumes that the estimated variance of 0.5% between RPI and CPI is greater than 0.5%. Therefore, it is estimated that CPI reduces to 1.5% from the assumed 2%.
- Cost inflation may be higher or lower than 2.5% per year. The two sensitivities show +1% (a) and -1% (b) with CPI equal to this when the reduction is applied.
- If right to buys continue at 45 per annum for the next 10 years and then reduce to 20 per annum.

### 7.9.1 Schedule of the Impacts of Risks and Sensitivities

The table below uses the baseline position with no utilisation of the available borrowing headroom for new build or additional investment in the stock. It shows that the plan is reasonably resilient to changes in assumptions – the only area that would be a major problem for us would be the failure to control cost inflation in comparison to CPI; in effect this is a risk the Council manages well on an annual basis across all service areas. However, the assumptions show that the expenditure in the Business Plan is at risk if rent increases are not kept in line with the current rent policy.

£'million	HRA Bal at Yr 5	Head-room at Yr 5	Capital S/fall		HRA Bal at Yr 10	Head-room at Yr 10	Capital S/fall
<b>Base Position</b>	<b>2.3</b>	<b>3.6</b>	<b>-</b>		<b>23.7</b>	<b>9.6</b>	<b>-</b>
Effect on Balances:							
Welfare Reform (1)	-0.3	-0.6			-0.6	-0.6	-
Welfare Reform (2)	-0.1	-0.2			-0.5	-0.2	-
Social Rent Policy	-0.5	-0.7			-5.0	-0.7	-
Inflation (a)	+0.2	+0.1			+3.2	+0.1	-
Inflation (b)	-0.2	-0.1			-3.0	-0.1	-
Right to Buys	-0.1	-0.1			-2.1	-0.1	-

This means, for example, that if inflation increases by 1% more than estimated, additional resources, of £0.3m, including borrowing headroom, will be available over the next five years, or £3.3m over the next ten years. This is because inflation increases income as rents will be higher than estimated.

Similarly, if right to buy numbers remain at 45 per year, (higher than estimated), then resources would reduce by £0.2m over five years, or £3.3m over 10 years.

## 8. CONCLUSION

The Business plan shows that there will be sufficient resources both in the short and long term to meet obligations towards the housing stock, the housing debt and deliver tenant priorities. Total estimated borrowing at the end of 2018/19 will be £86.38m, within the borrowing cap of £88.77m.

Account has been taken of sensitivities and risks as shown in Appendices 3 and 5 and the availability of resources to meet the priorities outlined in the Housing Asset Management Strategy 2014 to 2019 should be relatively resilient to changes in financial conditions.

The Business Plan will be reviewed in three years' time - or earlier if there is a significant change in government policy.



## APPENDIX 1: A decent home – summary of the definition

1. The definition of what is a decent home has been updated to reflect the Housing Health and Safety Rating System (HHSRS) which replaced the Housing Fitness Standard on 6 April 2006 and it is helpful to refer to the two volumes of statutory guidance on HHSRS<sup>1</sup>. The general principles of application have been expanded as set out in paragraph 1.4 below and paragraphs 1.5 and 1.6 clarify what properties are covered by the Decent Homes standard. A decent home meets the following four criteria:

a) It meets the current statutory minimum standard for housing

1.2 Dwellings which fail to meet this criterion are those containing one or more hazards assessed as serious ('Category 1') under the HHSRS.

b) It is in a reasonable state of repair

1.3 Dwellings which fail to meet this criterion are those where either:

- one or more of the key building components are old and, because of their condition, need replacing or, major repair; **or**
- two or more of the other building components are old and, because of their condition, need replacing or major repair.

Dwellings cannot be non-decent through age of components alone.

"Old" is defined in the guidance and includes:

### *Non key components*

- ◀ kitchens more than 30 years old.
- ◀ Bathrooms more than 40 years old.

### *Key components*

- ◀ Walls more than 80 years old.
- ◀ Windows more than 40 years old.

c) It has reasonably modern facilities and services

1.4 Dwellings which fail to meet this criterion are those which lack three or more of the following:

- a reasonably modern kitchen (20 years old or less);
- a kitchen with adequate space and layout;
- a reasonably modern bathroom (30 years old or less);
- an appropriately located bathroom and WC;
- adequate insulation against external noise (where external noise is a problem); and
- adequate size and layout of common areas for blocks of flats.

1.5 A home lacking two or fewer of the above is still classed as decent, therefore it is not necessary to modernise kitchens and bathrooms if a home meets the remaining criteria.

d) It provides a reasonable degree of thermal comfort

1.6 This criterion requires dwellings to have both effective insulation and efficient heating. It should be noted that, whilst dwellings meeting criteria b, c and d are likely also to meet criterion a, some Category 1 hazards may remain to be addressed. For example, a dwelling meeting criterion d may still contain a Category 1 damp or cold hazard.

<sup>1</sup> *Housing Act 2004, Part 1. Statutory Guidance has been given to local authorities under section 9 – the HHSRS Operating Guidance and Enforcement Guidance – and is available from DCLG and at [www.communities.gov.uk/hhsrs](http://www.communities.gov.uk/hhsrs)*

Full definition of Decent Homes is available at  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/138355.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/138355.pdf)

## **APPENDIX 2: The Charnwood Standard**

### **WARM, DRY AND SAFE HOME**

1. Structurally stable, brickwork, render and cladding in a reasonable state of repair
2. Wind and water tight with a roof which doesn't leak
3. An average SAP rating for all stock of 75 (current 69)  
*(SAP is a standard insulation measure)*
4. A minimum SAP rating of 50 (unless prohibited through planning restrictions, or it not technically feasible to do so)
5. Cyclical painting carried out on a 7-year lifecycle
6. Healthy and safe home
  - Valid periodic electrical safety certificate 5 yr
  - Current gas safety certificate
  - Sealed Lithium Battery smoke detectors
  - Carbon Monoxide detectors fitted in gas and solid fuel heated properties
  - Asbestos survey – Asbestos Management Survey or Refurbishment Survey, subject to existing data & proposed works
  - Inform tenants of results and remove high and medium risk asbestos rather than encapsulate and manage in situ where risks are low or very low.

### **MODERN HOME**

1. Building related damp free (linked to condensation, mould free and adequate ventilation)
2. Components renewed to modern day standards in accordance with fixed lifecycles
  - Kitchens – 20years
  - Bathrooms – 30 years for bathroom
  - uPVC or Composite Doors – 25 years
  - uPVC Double glazed windows ( except in conservation areas) – 30 years
  - Boilers – 15 years
  - Full central heating pipework, radiators and electric storage radiators– 30 years
  - Roofs - 50 – 70 years (when required)
3. Internal space standards adequate and fit for modern day living
4. Flexible home
  - Properties individually adapted to meet customer needs where possible after recommendations by an Occupational Therapist from Social Services
5. Communal areas
  - Fire Risk Assessment high and medium risk recommendations completed
  - Asbestos survey
  - Door Entry system
  - Emergency lighting
  - Communal Lighting
  - Annual Lift Service Certificate
  - Legionella testing programme

## 6. Environmental sustainability

- 'A' rated condensing boilers renewed on a 15 year lifecycle.
- Thermostatic Radiator Valves and/or Room Thermostats
- Programmable Heating systems
- Dual flush WC cisterns
- Low voltage energy saving bathroom and kitchen lighting
- Low voltage mechanical extract fans
- Minimum 'C' rated uPVC double glazed windows and doors
- Move from electric to gas heating where possible

## 7. External environment

- Safe and level path access to front door

### APPENDIX 3: Assumptions and sensitivities

The table below details the main financial assumptions and sensitivities that the council has made in preparing the financial plan which supports this business plan.

Description	Short to Medium Term	long term
Financing	Opening debt at £82.39m against cap of £88.77m – Planned Borrowing £5.99m against repayment of £3.2m by Yr 5 Headroom of £2.39m	Long term cap £88.77m not fully utilised – headroom £9.01m (at year 10) and increasing as loans repaid
Property changes over the plan	5,784 properties 1/4/2014 with 45 to 40 RTB per annum	10 to 6 RTB per annum
Economic – inflation and interest rates	2.5% core inflation, CPI 2%+1% rent inflation, interest rates start at 5% for new borrowing	2.5% core inflation, CPI 2%+1% rent inflation, interest rates stable at 5% long term except existing borrowing
Rents – convergence	3% of tenancies (reducing balance) re-let at formula rent	CPI + 1%
Arrears and bad debts	1.25% of rents rising to 2% by year 4	1.25% of rents long term
Management costs	2014/2015 budget rising with inflation (2.5%)	Inflation long term at 2.5%
Supporting People Grant	Fixed £491,600 no inflation	Fixed £491,600 no inflation
Repairs costs	2013/2014 budget rising with inflation at 2.5% plus 0.5%	Inflation long term at 2.5% plus 0.5%
Capital profile	Existing programme of Charnwood Housing Standard with 2.5% inflation plus 0.5%	Charnwood Housing Standard on existing stock moving with 2.5% inflation plus 0.5%
Assumptions of efficiencies being delivered	All inflationary pressures above main inflation absorbed	All inflationary pressures above main inflation absorbed
Use of capital resources (RTB receipts etc) and explanation for basis	RTB receipts to General Fund with exception of new build 1-4-1 receipts	RTB receipts to General Fund

## APPENDIX 4: Projections

### HOUSING REVENUE ACCOUNT PROJECTIONS

#### Charnwood BC

Year	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2023-28	2028-33	2033-38	2038-43
	1	2	3	4	5	6	7	8	9	10	11-15	16-20	21-25	26-30
<b>INCOME:</b>														
Rental Income	21,847	22,344	22,869	23,419	24,010	25,064	25,232	25,934	26,681	27,452	150,166	173,159	199,780	230,634
Void Losses	-481	-492	-503	-515	-528	-551	-555	-570	-587	-604	-3,303	-3,809	-4,394	-5,073
Service Charges	459	401	411	421	431	442	453	465	476	488	2,630	2,975	3,366	3,809
Non-Dwelling Income	335	343	352	361	370	379	388	398	408	418	2,254	2,550	2,885	3,265
Grants & Other Income	593	595	598	600	603	606	609	612	615	618	3,175	3,327	3,493	3,673
<b>Total Income</b>	<b>22,753</b>	<b>23,191</b>	<b>23,726</b>	<b>24,286</b>	<b>24,886</b>	<b>25,940</b>	<b>26,127</b>	<b>26,838</b>	<b>27,594</b>	<b>28,373</b>	<b>154,922</b>	<b>178,203</b>	<b>205,131</b>	<b>236,307</b>
<b>EXPENDITURE:</b>														
General Management	-4,922	-5,252	-5,381	-5,515	-5,653	-5,795	-5,939	-6,088	-6,240	-6,396	-34,461	-38,989	-44,113	-49,910
Special Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Management	-67	-69	-70	-72	-74	-76	-77	-79	-81	-83	-450	-509	-575	-651
Rent Rebates	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	-255	-279	-400	-468	-360	-313	-315	-324	-333	-343	-1,876	-2,163	-2,496	-2,881
Responsive & Cyclical Repairs	-6,183	-5,887	-6,066	-6,256	-6,447	-6,672	-6,875	-7,084	-7,303	-7,525	-41,201	-47,861	-55,594	-64,573
<b>Total Revenue Expenditure</b>	<b>-11,427</b>	<b>-11,486</b>	<b>-11,917</b>	<b>-12,312</b>	<b>-12,534</b>	<b>-12,855</b>	<b>-13,207</b>	<b>-13,575</b>	<b>-13,958</b>	<b>-14,347</b>	<b>-77,988</b>	<b>-89,522</b>	<b>-102,778</b>	<b>-118,015</b>
Interest Paid	-2,768	-2,798	-2,795	-2,887	-2,944	-2,890	-2,873	-2,776	-2,679	-2,679	-12,762	-11,099	-8,646	-5,258
Finance Administration	-14	-14	-15	-15	-15	-16	-16	-17	-17	-17	-94	-107	-121	-136
Interest Received	10	9	21	23	28	74	150	197	250	349	3,048	5,035	6,821	9,225
Depreciation	-4,552	-4,631	-4,714	-4,811	-4,896	-4,987	-5,089	-5,202	-5,323	-5,447	-29,203	-32,785	-36,838	-41,429
<b>Net Operating Income</b>	<b>4,002</b>	<b>4,271</b>	<b>4,307</b>	<b>4,284</b>	<b>4,526</b>	<b>5,265</b>	<b>5,093</b>	<b>5,465</b>	<b>5,866</b>	<b>6,230</b>	<b>37,923</b>	<b>49,725</b>	<b>63,570</b>	<b>80,694</b>
<b>APPROPRIATIONS:</b>														
FRS 17 /Other HRA Reserve Adj	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Provision (HRACFR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Contribution to Capital	-4,500	-4,153	-3,449	-5,090	-3,204	-1,191	-73	-4,941	-143	-177	-11,845	-29,635	-40,686	-45,530
<b>Total Appropriations</b>	<b>-4,500</b>	<b>-4,153</b>	<b>-3,449</b>	<b>-5,090</b>	<b>-3,204</b>	<b>-1,191</b>	<b>-73</b>	<b>-4,941</b>	<b>-143</b>	<b>-177</b>	<b>-11,845</b>	<b>-29,635</b>	<b>-40,686</b>	<b>-45,530</b>
<b>ANNUAL CASHFLOW</b>	<b>-498</b>	<b>119</b>	<b>857</b>	<b>-806</b>	<b>1,322</b>	<b>4,074</b>	<b>5,020</b>	<b>524</b>	<b>5,724</b>	<b>6,053</b>	<b>26,078</b>	<b>20,090</b>	<b>22,883</b>	<b>35,165</b>

## HOUSING CAPITAL PROJECTIONS

### Charnwood BC

Year	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2023-28	2028-33	2033-38	2038-43
£'000	1	2	3	4	5	6	7	8	9	10	11-15	16-20	21-25	26-30
<b>EXPENDITURE:</b>														
Planned Variable Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Planned Fixed Expenditure	-9,447	-7,846	-7,225	-10,627	-5,915	-4,006	-4,127	-4,250	-4,378	-4,509	-24,466	-43,624	-52,835	-56,259
Disabled Adaptations	-549	-660	-660	-677	-693	-711	-729	-747	-765	-785	-4,227	-4,782	-5,411	-6,122
Other Capital Expenditure	0	0	0	0	0	0	0	0	0	0	-1,575	0	0	0
New Build Expenditure	0	0	0	-1,635	0	0	0	0	0	0	0	0	0	0
Procurement Fees	-279	-278	-278	-285	-292	-299	-307	-315	-322	-330	-1,780	-2,014	-2,279	-2,579
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Capital Expenditure</b>	<b>-10,275</b>	<b>-8,784</b>	<b>-8,163</b>	<b>-13,223</b>	<b>-6,900</b>	<b>-5,017</b>	<b>-5,162</b>	<b>-5,312</b>	<b>-5,466</b>	<b>-5,624</b>	<b>-32,048</b>	<b>-50,420</b>	<b>-60,525</b>	<b>-64,959</b>
<b>FUNDING:</b>														
Major Repairs Reserve	4,553	4,631	4,714	2,811	3,696	3,825	5,089	371	5,323	5,447	20,203	20,785	19,838	19,429
Right to Buy Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HRA CFR Borrowing	1,162	0	0	4,832	0	0	0	0	0	0	0	0	0	0
Other Receipts/Grants	60	0	0	0	0	0	0	0	0	0	0	0	0	0
HRA Reserves	0	0	0	490	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	4,500	4,153	3,449	5,090	3,204	1,191	73	4,941	143	177	11,845	29,635	40,686	45,530
<b>Total Capital Funding</b>	<b>10,275</b>	<b>8,784</b>	<b>8,163</b>	<b>13,223</b>	<b>6,900</b>	<b>5,017</b>	<b>5,162</b>	<b>5,312</b>	<b>5,466</b>	<b>5,624</b>	<b>32,048</b>	<b>50,420</b>	<b>60,525</b>	<b>64,959</b>
<b>In-Year Net Cashflow</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cumulative Position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>MRR Account:</b>														
Opening Balance	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Contribution (Depr)	4,552	4,631	4,714	4,811	4,896	4,987	5,089	5,202	5,323	5,447	29,203	32,785	36,838	41,429
Use of Reserve to Capital	-4,553	-4,631	-4,714	-2,811	-3,696	-3,825	-5,089	-371	-5,323	-5,447	-20,203	-20,785	-19,838	-19,429
Loan Repayment	0	0	0	-2,000	-1,200	-1,162	0	-4,832	0	0	-9,000	-12,000	-17,000	-22,000
<b>Closing Balance</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

## APPENDIX 5: Risk management

Risks have been classified into the following headings for the HRA Business Plan

Description	Likelihood	Impact	Mitigation and residual risk
Insufficient knowledge of current stock causes unknown liabilities	Possible	Moderate	Stock condition information will be updated by carrying out surveys of a sample of properties when void and undergoing repairs inspections or repairs. Programmes will be reviewed annually to ensure information has been accurate and identify any areas of concern to be addressed.
Cost inflation is higher than income inflation	Possible	Moderate	Costs will be monitored as part of ongoing performance management. The Business Plan and its assumptions will be reviewed in three years' time. Risk and impact of cost implication in the first three years is low.
Interest rates rise more than estimated	Possible	Moderate	The risk is in relation to the £5.99m to be borrowed by 2017/18 as all current loans are at fixed rates.
Right to Buy levels increase over estimate	Possible	Major	The Council has signed up to the government scheme to retain a higher percentage of capital receipts to part fund new build and the Business Plan contains proposals to build 10 units. Right to buy trends will be monitored closely and the HRA balance and borrowing capacity are available to mitigate major impact. Assumptions will be reviewed annually when setting budgets.
Increased bad debts over estimate	Possible	Major	Bad debt levels will be monitored as part of performance management. Annual targets are set for the income collection team. The Business Plan includes proposals to fund an additional financial inclusion officer to assist with benefit take-up and applications and to liaise with Dept. of Work and Pensions over payment of rent direct to the Council.
Government revisits the self-financing settlement	Remote	Major	Government would consult beforehand. The Council would assess implications and respond to the consultation accordingly. Discussions and negotiations with government would take place.
Rent increases are not implemented in accordance with recommended government increases	Unlikely	Major	Funding of priorities and the Charnwood Standard is dependent upon the increases being implemented as recommended. Any change would necessitate the reworking of investment plans to reflect the reduced income available.
Loss of Supporting People Grant	Highly Probable	Major	Policy for supporting vulnerable tenants and management costs would be reviewed.