



Agenda item: 11

Summary

Report for:	Cabinet
Date of meeting:	16th September 2014
Part:	1
If Part II, reason:	

Title of report:	HRA Business Plan Review 2014/15
Contact:	Cllr Margaret Griffiths, Portfolio Holder for Housing Author/Responsible Officer – Elliott Brooks, Assistant Director - Housing
Purpose of report:	Annual Review of the Councils Housing Revenue Account (HRA) Business Plan and New Build Update
Recommendations	<ol style="list-style-type: none"> 1. That the 2014/15 HRA Business Plan, updated on the assumptions in appendix a of the HRA Business Plan, Section 6, be approved and to form the basis for budget preparation for 2015/16. 2. That the comments of the Tenants and Leaseholder Committee set out in appendix 2 to the report be noted
Corporate objectives:	Affordable Housing
Implications:	<p><u>Financial</u></p> <p>Regular review of the Councils HRA Business Plan is essential in order to ensure that the financial stability of the HRA remains sound. The draft Business Plan is based on a fully funded programme of works and improvements to existing stock, services to tenants and leaseholders and a programme of new build homes. The main risk to the plan – the possible inability to reach convergence of rents at a cost of £300M over the lifetime of the plan – is mitigated by the proposals set out. Should this not be deliverable then the plan will need to be reviewed as soon as this becomes apparent, though it should be noted that the main impact would be on the ability to deliver the new build programme.</p>
'Value For Money	The Business Plan incorporates a range for Value for Money

Implications'	efficiencies as part of the ongoing process. The main impact for 2014/15 and 2015/16 will be the full impact of the Total Asset Management Contract which will be very closely monitored and reported throughout the year.
Risk Implications	Monitoring of the HRA is an identified service risk which is reported to the Housing & Communities Overview & Scrutiny Committee on a quarterly basis
Equalities Implications	Equality Impact Assessment reviewed/carried out*
Health And Safety Implications	n/a
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer:</p> <p>No further comments to add to the report.</p> <p>Deputy S.151 Officer</p> <p>My comments are contained within the body of the report and the appendices.</p>
Consultees:	<p>James Deane – Assistant Director, Finance & Resources</p> <p>Aaron Keyte – Financial Accountant</p> <p>Mark Gaynor – Corporate Director, Housing & Regeneration</p> <p>Fiona Williamson – Group Manager Property & Place</p> <p>Andy Vincent – Group Manager Tenants & Leaseholders</p> <p>Julia Hedger – Group Manager Strategic Housing</p> <p>Richard Baker – Group Manager Financial Services</p> <p>DBC Tenants & Leaseholders Committee</p> <p>DBC Housing & Communities Overview & Scrutiny Committee</p>
Background papers:	n/a
Glossary of acronyms and any other abbreviations used in this report:	<p>HRA – Housing Revenue Account</p> <p>BP – Business Plan</p> <p>TLC – Tenants & Leaseholders Committee</p> <p>HMEC – Housing Maintenance & Environment Committee</p> <p>RTB – Right To Buy</p>

Background

In April 2012 the Council agreed its first 30 year Housing Revenue Account (HRA) Business Plan. It was a requirement following the introduction of Self Financing (replacing the HRA Housing Subsidy System) for Local Authorities with housing stock to have such a plan.

This report details the second year review of the HRA Business Plan and explains some of the issues which have needed to be re-visited, as well as providing an update on progress of the Council's New Build Programme

1. Housing Revenue Account Business Plan

The resources available following the move to Self Financing gave the Council the opportunity to be strategic in its approach to its housing stock for the first time. It was possible, and essential, to not only consider the existing housing stock, but also wider issues such as community development, improving the environment and the potential to build new Council homes to address the increasing demand for affordable housing.

The Business Plan not only concentrates on the financial related strategy and objectives, but also the service priorities of the Council's Landlord function to its tenants and leaseholders. The longer term perspective is crucial to ensure that the service and its primary assets, the housing stock, are fit for purpose for the whole period and beyond.

2. Performance of the 2013/14 Business Plan

As would be expected within such a complex budget as the Housing Revenue Account there were various areas of overspend and underspend throughout 2013/14. These were regularly reported to the Council's Corporate Management Team and its Cabinet and Scrutiny Committees on a quarterly basis. The Council's Tenants and Leaseholder Committee (TLC) was also given budget updates at the mid-year point and end of year.

The primary area of overspend on the HRA was on planned maintenance - £1.4million.

This was the result of an increased number of replacement Kitchens and Bathrooms in void properties as well as re-profiling of the Keepmoat contract in anticipation of the new Total Asset Management contract.

This was mostly off-set however, by an accounting adjustment for capital financing, and an under spend on Strategic Acquisitions.

Following government reinvigoration of Right to Buy (RTB) policy in 2012/13, RTB sales continue to remain high. Dacorum completed 86 RTB sales in 2013/14, resulting in retained receipts of £8.6m (which incorporated additional retained receipts to be spent on new build).

In terms of tangible outcomes that benefit our tenants directly the table below demonstrates how the Council has been able to improve the homes in which tenants live since the introduction of the Business Plan.

Improvement Works	2011/2012	2012/2013 (first year of 'self financing)	2013/14
Kitchen Renewal	196	456	721
Bathroom Renewal	192	426	529
Re-Wire	250	605	784
New Doors (front/rear)	532	1935	3480

The Council has also been able to commence its programme to build new homes in the borough for the first time in over 20 years. The New Build Programme update is in Section 4 of this report

3. Considerations for 2nd Year Review of HRA Business Plan

3.1 Government Guidance: Rent Policy

Government have issued guidance on rent setting from 2015-16. The guidance advises two fundamental changes

- Changing the annual uplift on rents from 'Retail Price Index (RPI) + 0.5%', to 'Consumer Price Index (CPI) + 1%';
- Ending rent convergence, i.e. the ability to increase rent by an additional factor for those tenants who are below target rent.

Whilst both advised changes substantially reduce rental income to the Business Plan, removal of convergence will leave Dacorum worse affected than most LA landlords, because it is further away from achieving convergence with Target Rent.

Over the past few months' extensive work has taken place between Council officers in both the finance and housing teams to determine the impact of the changes and future rent policy on the Council's HRA Business Plan. Briefings have been given to members of the Council's Cabinet, its Housing & Communities Overview and Scrutiny Committee and also the Council's Tenants & Leaseholder Committee. The most recent briefing note following the Government issuing the guidance can be found in Appendix 1.

The Council's Cabinet propose to retain existing rent policy for those below Target Rent, but to implement CPI-linked rental increases for those who have already achieved Target Rent. This option optimises income, whilst at the same time works towards achieving parity of rents.

Members of the Council's TLC have expressed their view on this proposal formally and this can be found in Appendix 2.

The formal decision regarding rent policy for 2015/16 would be taken during the approval of the 2015/16 Budget papers.

4.2 Right to Buy

The Business Plan assumes sustained high levels of RTB sales in the short-term only, with 75 units projected for 2014/15; dropping to 40 units in 2015/16 and 20 units thereafter.

Under the '1 for 1' agreement, the Council is able to retain a higher proportion of its RTB receipts. Receipts are retained on the condition they contribute towards replacement new homes on a '1 for 1' basis.

4.3 New Build Programme

At the Cabinet meeting on October 23rd 2012 approval was given to commence the Council's own New Build Programme, to build council homes for the first time in over 25 years.

The Dacorum Borough Council Strategy for New Council Homes 2013-2020 '**Building for the Future**' published December 2013 sets out the Council's ambitious plans for the New Build Programme. The Strategy commits the Council to deliver 400 homes by 2020. The first tranche of sites of the New Build Programme are currently in construction and includes; Farm Place, The Nokes (*formerly St Peter's Church*) and London Road.

Other sites recently acquired by the Council for the purpose of development include Tring Depot, Able House, Stationers Place and Wood House. All these sites are currently in the HRA Business Plan for the purpose of affordability but as they progress will require various approvals from the Council's Cabinet.

4.3.1 Current Scheme Updates

Farm Place – Berkhamsted

12 1 Bedroom Flats, 8 x 2 Bedroom Flats, 6 x 3 Bedroom Houses



Planning permission was granted in April 2013. The construction works has commenced and the development is due to be completed by March 2015. The new homes will be built to the Code for Sustainable Homes Level 4 standard, which would make the new homes amongst the highest environmentally efficient in the Borough.

The building on site continues well with no major issues.

Key dates:

- **FEBRUARY 2014**– Start on Site
- **MARCH 2015** – Completion of the development
- **April 2015** – occupation of the development.

The Nokes, Galley Hill - Hemel Hempstead

9 x 2 Bedroom Flats to 'Passivhaus' standard



Planning permission was obtained in January 2013 for the development of 9 Passivhaus flats at Galley Hill, Gadebridge. Works have commenced on site and development is due to be completed in March 2015.

This development is aiming to be built to the Passivhaus standard, providing very high levels of thermal efficiency to keep gas heating bills to around £100 per annum per property. Further information on Passivhaus is available at www.passivhaus.org.uk

Key Dates:

- **March 2014** – Start on Site
- **March 2015** – Completion of the development
- **April 2015** – Occupation of the development

LONDON ROAD - APSLEY

13 x 1 Bedroom Flats, 23 x 2 Bedroom Flats



The planning application was submitted in May 2013 and the scheme was granted planning permission in August 2013, subject to the completion of the s106 agreement. Hertfordshire County Council is required to sign off the agreement. The completion of the agreement was unfortunately delayed and only completed in February 2014, which then followed the granting of planning permission in March 2014.

There is a substation at the front of the site which needs to be relocated to the rear of the site to enable the build out of the scheme. The land in which the substation sits is in the ownership of Eastern Power Networks (EPN) currently. Hill Partnerships, the Council's appointed contractor are in discussions with UKPN (its subsidiary) to agree the technical details for the substation works.

The requirement for the scheme to have planning permission has been a critical factor in enabling the land transfer to proceed and the decommissioning of the existing substation. The land transfer agreement was completed in July 2014 with UKPN, the building of the enclosure for the new substation will commence shortly. Once this has been finalised the full building works will commence in November.

Demolition of the existing buildings to ground floor level has been completed. Further demolition works will resume once the existing substation has been decommissioned.

Key Dates:

- **July 2014** – substation transfer agreement completed
- **November 2014** – estimated start on site
- **December 2015** – estimated practical completion
- **January 2016** – estimated occupation

TRING DEPOT

4 x 2 bedroom Flats and 1x 3 bedroom House

The Council's current main depot in Tring is located on Queen Street, within the Tring triangle conservation area.



The Group Manager for Commercial Assets and Property Development has obtained an alternative site from Hertfordshire County Council leaving the existing site on Queens Street available for residential development.

The initial feasibility study indicated 7 units could be accommodated on the site. The scheme proposal has been developed with the Development Planning team and local residents who have been consulted. (A public consultation event was held on the 17th December 2013.) Following the consultation event the scheme was amended to provide 5 new homes.

The planning application has now been submitted and is currently being considered.

Key Dates:

- **May 2014**- Planning application submitted
- **August 2014** – Planning permission (subject to s106 agreement)
- **January 2015**- Select contractor
- **March 2015** – Start on site

ABLE HOUSE, FIGTREE HILL

10 x 1 bedroom Flats and 4 x 2 bedroom Flats currently proposed

The Council acquired the site in 2013, with outline planning consent for 11 flats and commercial units on the ground floor. The Council has appointed Oxford Architects to design an affordable housing scheme; the preliminary design proposal indicates 15 homes can be accommodated on the site; comprising a mix of one and two bed flats.

A further report will be brought to Cabinet in due course recommending approvals required to progress the development.

Key Dates:

- **November 2014**- Submit planning application
- **Spring 2015**- Select contractor
- **Summer 2015** – Start on site

APSLEY PAPER TRAIL/ STATIONERS PLACE

11x 1 Bedroom Flats and 22 x 2 Bedroom Flats currently proposed

The Council acquired the site from the Apsley Paper Trail Trust land approximately 2.2km south of Hemel Hempstead town centre. The site is bounded by the Grand Union Canal on the north eastern boundary, a Homebase retail centre to the west, to the east a public house and residential properties, to the south are residential properties.



The site is currently a tarmacked car-parking area which has been hoarded recently. The Council has appointed RG +P architects to design a scheme for the site. The preliminary design proposal indicates 33 homes can be accommodated on the site.

A further report will be brought to Cabinet in due course recommending approvals required for the development to progress.

Key Dates:

- **Autumn 2014** - submit planning application
- **Early 2015** - select contractor
- **April** – estimated start on site

WOOD HOUSE - Maylands

The Council acquired the site which is located in the Heart of Maylands from Total Oil Pension Fund in the latter part of 2013. The former warehouse on the site has been demolished and the site has been secured with hoarding. The Council has commenced several site investigations to determine the site characteristics. Site feasibility study indicates circa 70 units can be accommodated on the site including commercial/retail space on the ground floor.

The Development Team are preparing to appoint the architect to progress the scheme to the planning application stage. The Council anticipate a start on site late 2015.

4.4 Walkways & Balconies Project

At the point of the 2013/14 review of the Council's HRA Business Plan resources were allocated to carry out essential works to a number of communal and private balconies and walkways across the Council's Housing stock. This work has progressed in terms of all 'at risk' balconies and walkways have been propped and the contract to carry out a permanent solution has been let.

Following a request from the Council's Cabinet the Development Team have also been working with the Property and Place team to undertake a feasibility study to examine the redevelopment potential of four of these sites which comprise bedsit properties that have been found to have structural defects to their walkways.

This work overlaps with the emerging comprehensive review of garage sites in the Borough which the Council's Estates team has commissioned EC Harris to undertake.

The two projects are therefore merging and a report to Cabinet on the E.C Harris will be provided in due course by the Estates team.

4.5 Total Asset Management (TAM) Contract

Following a comprehensive procurement project the Council awarded its new housing management contract, worth up to £235 million, to Osborne Property Services.

The Council, with the help of tenants carried out a thorough two-year search to find the best contractor to carry out all day-to-day repairs, maintenance and planned improvement work (known as a 'total asset management' contract) to its 10,500 council homes throughout the Borough.

From 1 July, Osborne Property Services have been providing the day-to-day repairs and the planned improvement work to the Council's 10,500 homes throughout the Borough, and will use patterns of repairs information to target investment at the areas most in need.

Financial assumptions relating to annual spend in certain criteria of works have been factored into the Business Plan review

The Council's Housing Maintenance and Environment Committee (HMEC) – the tenant panel which looks at repairs – were fully involved in the procurement process.

The contract will run for an initial five years, although this can be extended on an annual rolling basis up to ten years, based on performance.

5.0 2014/15 Housing Revenue Account Business Plan

The reviewed and updated Business Plan can be found in Appendix 3. The document will be subject to regular review involving officers from the Council's finance and housing teams as well as appropriate updates to the TLC, Cabinet and Scrutiny Committees as needed.

Key points within the reviewed plan:

- Rental Income is assumed from an agreed collection rate from the rent policy proposal outlined in Section 4.1
- Development programme within the plan contains all schemes detailed in Section 4.3.1 and 1025 homes in total over the life of the Business Plan
- Cash flow Projections in appendices d & e of the Business Plan reflect projected positions but are subject to regular and annual review.