



Dacorum Borough Council Housing Revenue Account Business Plan 2012

People: Property: Place

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1. Overview

This is Dacorum Borough Council's first Housing Revenue Account (HRA) Business Plan under the new financial regime of self-financing, which saw all local authorities with housing stock leave the housing subsidy system. For the first time this allows the Council to develop a business plan over which it has complete control and which can take a long term view of investment priorities. The level of resources that will be available to the Council, provided that the business plan is followed and the services effectively and efficiently run, will increase dramatically and will allow the whole of the business to be developed, rather than focus almost exclusively on the fabric of the stock which, by virtue of the scarce level of resources available, previous plans had to be based on. This plan will develop and adapt over time, taking account of progress made and any changes of circumstances.

2. Context

Dacorum Borough Council has a housing stock of approximately 10,500 tenanted homes and 1,500 leaseholders covering the towns of Hemel Hempstead, Tring, Berkhamsted and several villages. The majority of the stock is Hemel Hempstead based as a result of the New Town development in the 1950's.

In general the quality of the stock currently is to a fairly high standard with the majority of homes having reached the Decent Homes Standard over the past several years. Due to financial constraints, however, there has been limited investment in other areas such as Estate Improvements or External Decorations. Due to the age profile of the stock the requirements for investment increase sharply over the next few years resulting in resources needed far exceeding current investment levels.

Until April 2012, the system for financing Council Housing was the national 'subsidy system' whereby a Council in the position of Dacorum Borough Council would pay what it was deemed as excess rent received into a central pot for other councils to be subsidised. In 2011/12 Dacorum Borough Council paid £20million into the pot. It has long been argued by many Councils that the system is unfair and if it were to continue we would not be able to fund the investment programme required to maintain our stock.

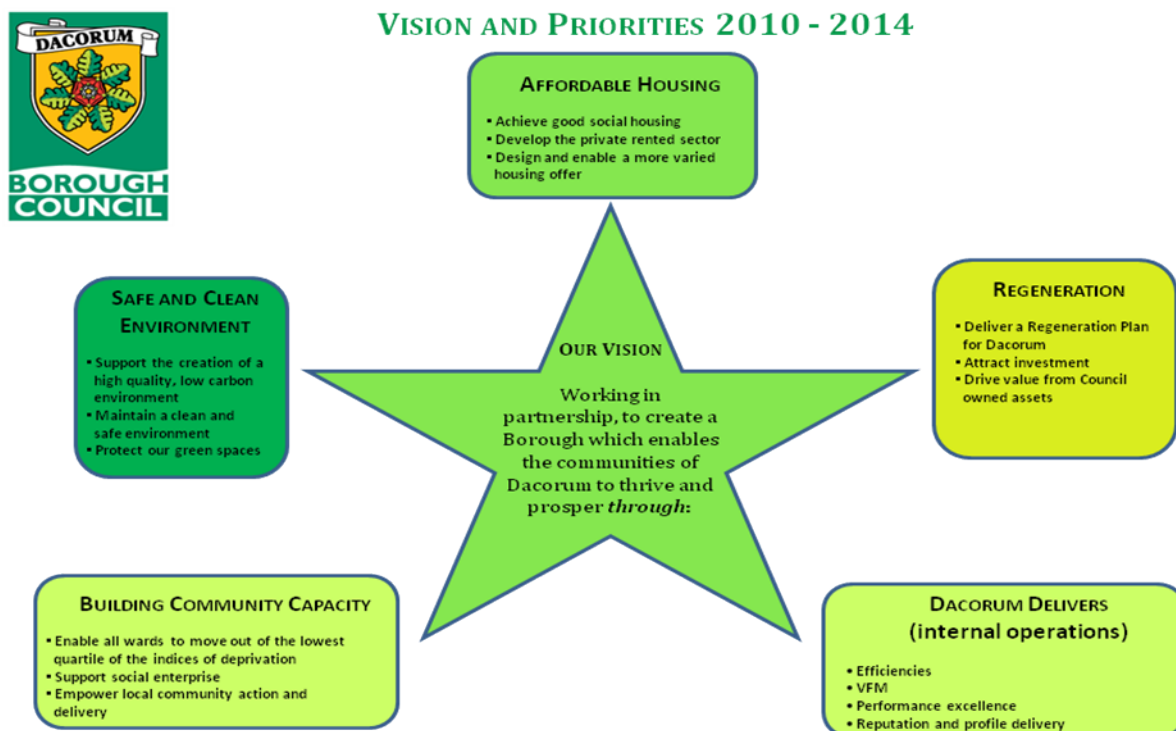
The Government has introduced a change, referred to as 'Self Financing' and from April 2012 the Council will now keep all of its rental income from Council Housing, will no longer pay negative subsidy to the government, but will have to service its share of national housing debt based on a valuation of the council's housing business. The Government's Self Financing Determination confirmed that the value of Dacorum's housing business is £354,015,000 and the necessary borrowing was arranged as from 28 March 2012 to pay Government and release Dacorum Borough Council from the subsidy system. The self financing system will allow far greater certainty in financial planning and the ability to plan investment as well as respond to tenant priorities, but also requires greater expertise in Treasury Management.

3. Dacorum Borough Council's Vision & Priorities

In 2010 Dacorum Borough Council undertook an exercise to review and re-align its vision and priorities. These are shown below and it is important that the management and ultimately growth of the Council's

housing stock progresses in a way which not only compliments the vision and priorities but assists in them being achieved.

Fig 1



4. Dacorum Borough Council's Long Term Vision for the Housing Service

The landlord service, managing and maintaining the Council's rented and leasehold housing stock, is an integral part of the broader housing service which incorporates the strategic function – developing and delivering the strategies for the future including ensuring a healthy supply of new homes (including affordable) to meet the needs of the Borough – and housing options which deals with housing need, homelessness and allocations of rented homes. Although having elements of separation in operation – not least because the HRA is ring fenced to landlord expenditure only – the delivery of the housing service should be seen as a single entity with clear and shared vision and objectives.

The broader strategic vision takes account of the housing needs – current and predicted – of the whole of the borough, whatever tenure or socio-economic background. Key priorities are:

- Ensuring a healthy level of new house building is achieved, ideally accelerating this delivery ahead of the trajectory in the Core Strategy.
- New build to ensure a good balance of tenure and housing opportunities: market housing of varying sizes and types; affordable housing for rent or shared ownership, a re-invigorated private

rented sector; and services and stock to meet the needs of particular groups (such as the elderly and people with physical or mental disabilities)

- Playing a direct role in the building and stimulus for new build affordable homes for rent in conjunction with Housing Association, developers and investors
- Ensuring that the evidence base – of housing need and land availability – is in place and kept up to date
- That the Council has the key strategies, policies and plans in place to deliver requirements

For the landlord service the vision is to achieve:

- A service that meets current and future tenants needs, and with tenants as an integral part of the decision making and scrutiny of the service
- Housing stock that meets, or exceeds, the agreed 'Decorum Standard' (decent homes 'plus') and takes account of changing standards and expectations
- A high quality of environment in and around council estates and homes, with investment in the full range of infrastructure (roads, pathways, open areas and community facilities)
- A healthy programme of new build for council homes, together with investment in the remodelling and transformation of property types which, over time, cease to meet the priorities of housing need and/or customer expectation and requirements
- Sustainability of the housing stock in terms of resource and energy efficiency
- A key contribution to community and economic development, stimulating skills training and employment opportunities through its operations for local people
- A real contribution to meeting the Council's overall strategic housing objectives.

5. Purpose of the Business Plan

The Housing Revenue Account Business Plan (HRA BP) is a thirty year plan which encompasses both the financial and service related objectives over that period. The longer term perspective is crucial to ensure that the service and its primary assets, - the housing stock, can be 'fit for purpose' for the whole period (and beyond). Previous reports to Cabinet (March, September and December 2011) have set out key principles and considerations, which have been approved for incorporation into the HRA BP.

The HRA BP presumes the repayment of the initial debt by the end of year 30.

The HRA BP sets out the investment requirements that the housing stock and broader estate infrastructure will require over 30 years. Short and medium terms requirements on the stock are known and were agreed at Cabinet in December 2011 following consultation with tenants. There are broader investment requirement assumptions that have been made which are essential to establishing the detail of the borrowing portfolio taken in March 2012.

The HRA BP also reflects a series of revenue expenditure/income assumptions.

The HRA BP runs for thirty years, although there will be opportunities and pressures that cannot be predicted at this point; therefore, as it forms the basis of service delivery and asset management strategy it will be regularly updated to account for changed circumstances and tenant and Member priorities.

There are several key themes to the Business Plan which are undeniably linked and reliant on each other.

Fig 2.



5.1 Governance of the Plan & Tenant Involvement

It is aimed that this HRA BP will become a living document which articulates the short, medium and long terms strategy for the investment in and management of the Council’s housing stock. For this to be the case all stakeholders need to understand, buy into and have access to influence any reviews or amendments.

DBC Cabinet

Ultimately the HRA BP and all detail within it will be signed off and agreed by the Council’s Cabinet. The Portfolio Holders for Housing & Finance & Resources will hold ultimate responsibility with implementation and day to management of the BP delegated to senior Council officers in Housing & Finance.

DBC Housing & Communities Overview & Scrutiny Committee

The Housing & Communities Overview & Scrutiny Committee is made up of a panel of Council Members representing all parties. It has a remit which includes all aspects of housing in Dacorum. The Committee also has co-opted members representing the Tenants & Leaseholders Committee. The HRA Business Plan was considered by the Committee in May 2012.

DBC Tenants & Leaseholders

Throughout the lead up to Self Financing and following implementation the tenants of Dacorum have been involved on a variety of levels:

- Self Financing & Business Planning Workshops at the Dacorum Tenants Conference
- STAR (Survey of Tenants and residents) with over 4500 replies
- Consultation Weeks around the borough
- A sub-group of the Tenants & Leaseholders Committee was set up specifically to discuss the issues around Self Financing and Business Planning in more detail – agreeing the ‘Dacorum Standard’

The HRA BP will be subject to an annual review which will involve input from tenants and the Housing & Communities Overview & Scrutiny Committee.

April 2012 saw significant change in the Government’s approach to tenant involvement. The Tenant Services Authority was abolished with the role of ensuring Local Authorities work with their tenants and leaseholders passing to the Homes & Communities Agency.

The main changes promote co-regulation which aims for landlords to support tenants to both shape and scrutinise service delivery, and undertake the role of regulation against the standards and therefore compliance against the regulatory framework. Dacorum Borough Council, with its Tenants & Leaseholder Committee has recently reviewed its Tenant Involvement structure and will be publishing its strategy in 2012.

5.2 Service Priorities

Working with tenants, leaseholders and Members the Housing Landlord Service have identified clear priorities for the short and medium term future. These are collated in the 2012/13 Housing Landlord Service Plan and progress will be monitored at both the Tenants & Leaseholders Committee & Housing & Communities Overview & Scrutiny Committee quarterly. These objectives have been agreed keeping in mind the Council’s Vision and Priorities and have been recognised in the budget setting process for 2012/13.

Housing Landlord Service Objectives 2012/13

- To involve tenants effectively and enable tenants and leaseholders to monitor, challenge, shape and help provide an excellence service
- To give tenants and leaseholders the best value for their rent and service charges

- To make sure the repairs and maintenance contract(s) awarded in 2014 result in the most efficient and effective service
- To make the most of opportunities to make our housing more efficient
- To complete our Asset Management Strategy
- To develop a Housing Landlord Information Technology work plan to cover short and medium term need
- To make sure we recover as many charges owed to us as possible
- To make sure all areas of our service provide excellent customer service
- Ensure households are living in properties of the most appropriate size and type
- Communicate positive messages to tenants, leaseholders, Councillors, general public and the housing industry
- Develop a positive 'can do' culture
- Have clear procedures for all of the Housing Landlord service
- Make best use of the land and assets we own, in line with the Council's vision and priorities
- Consider the best arrangements for the management of the housing stock

These objectives have several individual milestones along the way, all of which can be found in the Housing Landlord Service Plan.

5.3 Condition of the Stock & Asset Management Strategy

Dacorum Borough Council's Housing Revenue Account (HRA) Asset Management Strategy (AMS), has been developed to inform the strategic medium and long-term approach to maintaining, improving and developing the Council's housing assets.

The Council's housing stock comprises its highest value assets and its repair and maintenance costs its largest ongoing liability. A pro-active Asset Management Strategy ensures that stock decisions are made through effective business planning and is one of the key tools, which will be used by the Council to meet and respond to varying housing need and demand.

The AMS will form direct links to corporate priorities and wider housing strategy, including the provision of new affordable homes within the Borough. The strategy will be influenced by National policies and will ensure adherence to statutory requirements and governance structures.

In order to develop a robust asset management strategy the Council has invested in compiling a current and comprehensive evidence base, by commissioning Savills to undertake a stock condition survey of 50% of the properties. The data collected has been supplemented by existing information, which has been compiled and stored on a new asset management software system.

The AMS will set out the priorities for the physical care and improvement of the housing stock and surrounding environment as well as explaining how, through sound planning, the Council can ensure that its housing offer continues to meet the needs of the local people of the Borough.

The AMS will be the Council's first Housing AMS and has been specifically designed to meet the Council's strategic planning needs under the 'self financing' arrangements of HRA reform.

The Council's housing stock has been well maintained. The stock has been the subject of significant investment over many years with numerous programmes of maintenance and improvement having been carried out and with a range of improvement programmes currently ongoing.

At the end of December 2010 the Council successfully achieved the Government's Decent Homes compliance target. However, a number of properties remain non-decent due to tenants declining to have decent homes works undertaken and the change in the Health and Safety rating system which will increase the number of homes recorded as non-decent at the year end.

Whilst the Council will continue to have a focus on the management, maintenance and refurbishment of its existing stock over the coming years, it also intends to look more broadly at wider asset management issues such as the identification and use of housing land for the building of new assets, the potential redevelopment of existing sites and the potential use of available funds for the acquisition/development of new properties.

The Council's total housing stock has decreased steadily over the years, largely as a result of tenants exercising their Right to Buy (RTB). Since the introduction of the RTB, about 58% of the housing stock has been sold. The rate of stock losses through RTB has now reduced significantly due to the significant increase in the value of the stock, reductions in right to buy discount thresholds and more recently due to the economic downturn. The current changes to the RTB scheme offers larger discounts which may increase the uptake and require investment in replacing units on a one for one basis.

5.3.1 Our Asset Management Vision

Through effective, active, asset management to have a high quality, well maintained, sustainable housing stock which meets a locally determined Dacorum Standard to provide the type and standard of accommodation our residents seek in the locations and environments they want to live.

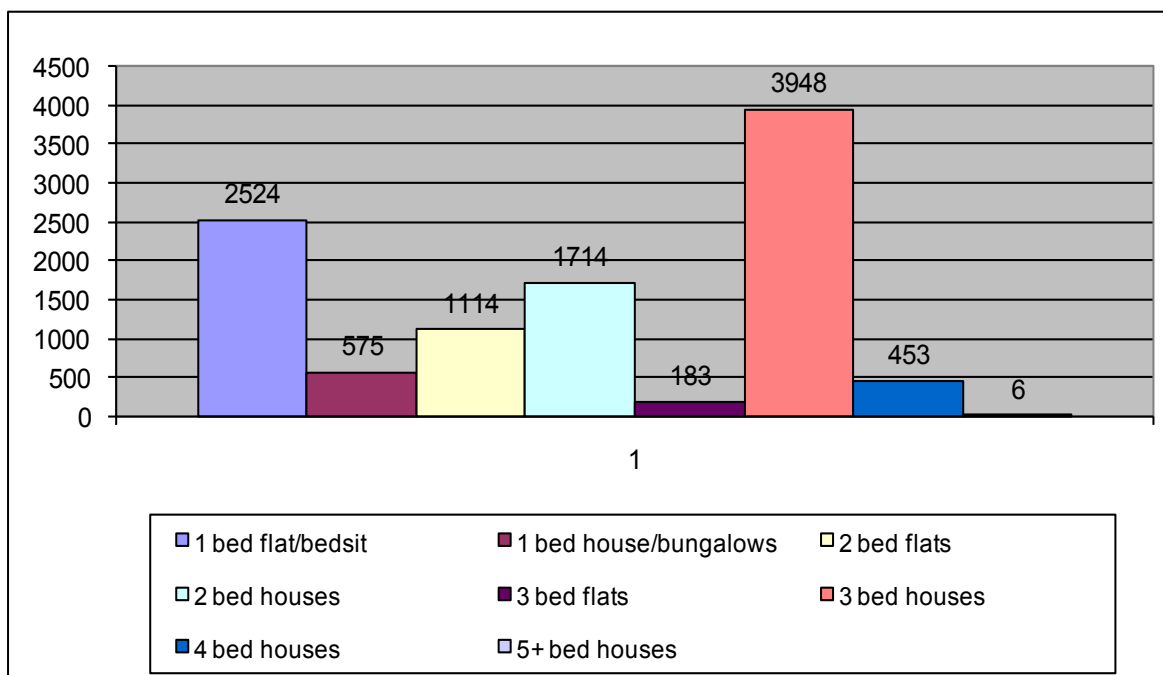
The HRA Asset Management Strategy will be prepared to support this vision, together with other broader strategic objectives of the Council highlighted in figure 1

Whilst the Council will seek opportunities to build new Council homes, the emphasis of the HRA Asset Management Strategy will focus on improving and maintaining the housing stock to the best possible affordable standard; "The Dacorum Standard". (See Appendix b)

5.3.2 Stock profile and Condition

Fig 3.

The graph below shows the current stock profile by size and type:



The large majority of the Council's housing stock was developed by the Commission for New Towns and consists of purpose built houses and bungalows constructed with a traditional brick cavity under pitched roofs covered with tiles or slates. The housing estates were built throughout the 1950's, 60's and 70's with a smaller number constructed in the 1980's. There has been no development of social housing by the Borough since 1981 and any provision since then has been through partnership working with local Housing Associations.

The Council has 29 Cat 2 sheltered housing schemes which present slightly differing maintenance liabilities, due to the communal facilities and mechanical and electrical installations, including lifts and fire alarm systems. The stock condition survey has recorded data on the individual units within these dwellings and a supplementary report from Savills was produced in 2009 to consider the ongoing sustainability and viability of these schemes which will be considered within the scope of the AMS.

Although the majority of the stock is traditionally constructed, just over 10% of the Council's stock is of non-traditional construction which is illustrated by type in the table below.

Type of Construction	No. of Properties (2010)
B.I.S.F (British Iron & Steel Federation)	95
Wimpey No Fines	665
Quickbuild	203
Lovell Timber Frame	79
Drury System 3	6
Surebuilt	11
Guildway	16
Steel Framed	14
Total (Approx.)	1089

5.3.3 Current Condition

The 50% survey undertaken by Savills will provide stock condition data that will be used to refine the existing 10% data collected during the survey in 2009. Additionally the Council is able to continually refine its baseline condition data by updating the asset management database with completed works programmes and for gas servicing and other cyclical maintenance contracts.

Overall the stock is considered to be in good condition, however due to the nature of the new town development, there will be components that fail on whole estates, which will require careful planning of the programmes so as not to create a strain on the budget in any given year.

5.3.4 Challenges

Decent Homes or the Quality of Accommodation Standard

The government's target was for all social homes to meet the Decent Homes Standard by December 2010. The Council was able to ensure that its stock met the standard by this date, except for those properties where tenants declined to have works undertaken. Whilst this places Dacorum in a strong position compared with many social landlords, ongoing changes to the existing standard, and the potential for a more rigorous standard, must be considered in the AMS.

Where stock cannot be brought up to and/or maintained at the desired Standard the Council will need to explore alternative options, which will be outlined in the AMS.

The Climate Change Agenda

The Government has set a target for all new homes to be carbon zero by 2016. A zero carbon home is one that can be built, heated and powered without any net increase in carbon dioxide emissions. There are also increasingly rigorous approaches to securing much higher standards of thermal insulation and reduced energy usage for existing housing stock through retrofitting schemes.

The Green Deal is due to be implemented in October 2012, to replace the existing funding mechanisms that are available to assist both the private and public sector housing stock improve their energy efficiency. The exact details regarding whether this will provide sufficient levels of additional funding to enable some of the more difficult to treat properties, such as the non-traditional Wimpy no-fines or the traditional solid wall properties to be upgraded, is yet to be finalised. The AMS will need to ensure that the Council is able to meet its obligations in respect of Government targets imposed under the Climate Change agenda.

Asbestos Management and other Health and Safety obligations

The increasingly onerous requirements in the management of asbestos, to comply with the Control of Asbestos Regulations 2005 will have significant cost implications for the Council in the ongoing delivery of planned programmes of work. To address and proactively manage the asbestos throughout the housing stock, the Council is establishing extensive information and records regarding the location and condition of asbestos within properties, through planned asbestos surveys and by carrying out Refurbishment and Demolition (R&D) surveys in selected voids where disruption to tenants can be avoided. R&D surveys are also carried out in all properties where major capital investment works are imminent. This provides the most effective process to give maximum protection to tenants, contractors and workforce personnel employed in Council properties.

There is a raft of legislation governing the asset management responsibilities for a social landlord, which require investment and will be included in the AMS.

5.3.5 Procurement of New Contracts to Deliver the Repairs and Maintenance Programmes

The Council has aligned the completion dates of the existing major repairs, and maintenance contracts to enable the Council to undertake an Options appraisal of the best method of delivery in order to maximise efficiencies and deliver a good quality, value for money service to the tenants and leaseholders within the Borough.

The AMS will provide comprehensive information to any organisations who are interested in undertaking the work. It will be necessary for the external organisations who tender for the work to understand the investment priorities, vision and culture of Dacorum in order to maximise the benefits of any joint venture or partnering arrangements that may be considered.

5.3.6 Priorities and delivery

As part of Dacorum's proactive AMS, it will be necessary to increase the percentage of spend on Planned Capital investment to that which is spent on responsive repairs. In 2011-12 the percentage of planned work was 58% and in 2012-13 this has been increased so that 70% is planned and 30% responsive.

The AMS will incorporate the 30 Year Investment Programme which has been used to model the level of investment required to achieve and maintain the stock to the Dacorum Standard. The Investment programme prioritises and programmes all capital improvement projects. The aim is to review all relevant evidence to make objective, informed decisions about programmed repair, investment, re-provision and disposal activities.

The programme sets out a 30 year profile of annual expenditure in the following principal works categories:

- Planned Maintenance works to the external envelope of properties, e.g. roof renewals, upgrade walls, windows, doors etc.
- Improving Dacorum Borough Council properties through internal modernisation programmes to bring homes up to and maintain them at the Dacorum Standard, e.g. kitchen & bathroom replacements, ceilings, redecoration of communal areas.
- Better Use of Stock e.g. conversion of bedsits to one bedroom, self contained accommodation, redevelopment.
- Asbestos Management and removal of asbestos containing material that is either damaged or is likely to be disturbed or damaged.
- Affordable Warmth installation and replacement of central heating systems and boilers
Insulation/ventilation improved thermal insulation and ventilation systems
- Electrical works rewires and upgrading of fire alarm systems
- Sheltered Housing upgrades/renewals to mechanical and electrical service installations such as lifts & boilers
- Disabled Adaptations that enable tenants to continue living in their home
- Estate improvements to enhance the environment, by improved lighting and security measures.

In total, the Council expects to spend over £25M in the year 2012/13 on repairing, maintaining and improving its stock.

5.3.7 Performance Management & Measurement

It is essential to compare all projects in terms of the projected outcomes and performance to ensure that the Council achieves value for money and maximises any return on Investment. The AMS will incorporate

this approach which will enable the Council to track all completed and planned investment works in a co-ordinated manner, irrespective of cost or scale of works. In this way we can ensure that investment is spread across the Borough on a defensible basis rather than being subject to pressures from other third parties.

5.3.8 Tenant Priorities

In 2009, as part of a Stock Options Appraisal process, tenants were consulted on their priorities and following this exercise the Council developed the 'Dacorum Standard'. The Dacorum Standard is higher than the Decent Homes Standard and is aligned with the priorities identified in the stock condition survey. To ensure this is still in line with tenant priorities the Self Financing Sub-Group approved this in 2012.

5.4 Long Term Investment Priorities

The HRA BP needs to ensure that the housing service can provide good quality housing in a sustainable way. This includes the need to ensure that the quality of the estates is of an acceptable standard and that any deficiencies/underinvestment in the fabric is remedied. Also, account needs to be taken of changing demands for housing stock and the requirement for appropriate adaptations/renewal. This is particularly important for the sheltered stock where future tenants' requirements may be very different from now. In addition, allowance must be made for adaptation to technological change, changing requirements of technical standards and the growing need for energy and resource efficiency.

As housing need continues to grow, and as stock is lost to Right to Buy, there is a need for new build which has been incorporated into the Business Plan. Based on broad estimates of known and predicted requirements it is possible to provide estimates for planning purposes – in practice the actual expenditure would be subject to the normal business case and financial scrutiny requirements at the time it occurs. It has been agreed by the Council's Cabinet and endorsed by tenants that the HRA BP includes the following.

Investment area	Description	Cost £M
Estate and Environmental improvements	Resources available for many years have not been sufficient to ensure the investment in the fabric of estates/areas surrounding the stock. The HRA BP includes investment to improve the following HRA owned assets: <ul style="list-style-type: none"> • Parking • Unadopted roads • Footpaths/footways • Security/lighting • Tree management • Landscaping and grounds maintenance • Drainage • Play areas 	50
Sheltered scheme modernisation and re-modelling	Investment through the Dacorum Standard covers only maintenance and renewal of components. In a rapidly changing climate regarding need and expectation all of our schemes will require some degree of enhancement.	60
Selective small scale demolition	Certain property types, such as bedsits, are already less popular and this will grow over time. It is proposed that a	22

and re-modelling of general needs stock	budget be set out to deal with any demolition/replacement costs and for re-modelling.	
Adaption to technological change and compliance upgrades	It can be confidently predicted, based on the experience of the last 25 years, that new generations will have growing expectations and that new technological change will require investment.	24
Energy efficiency measures	A number of property types will not be made energy efficient even with the proposed Green Deal, specifically cross wall constructed properties. Wimpy 'no-fines', and a number of ground floor flats.	30
New build	From years 1-10 a programme of 15 per year is incorporated, rising to 30 per year until year 30 (a total of 750). The cost is for initial construction and land purchase at current prices. In practice the new stock would generate additional income which greatly reduces the actual cost to the HRA BP	c.110

5.5 New Build Strategy

The Council has already been accepted on the HCA Framework for new build homes at the new affordable rent regime, with grant of £675,000 provided to support 45 new build homes for rent.

As part of the Council's priority to increase the supply of affordable housing, and in the long term interests of the HRA Business Plan, a self funded new build programme (over and above the HCA programme which runs 2012 - 2015) of 15 new homes per year at affordable rent levels has been modelled. This could apply from 2015/16 onwards, and for 30 per year from 2022/23.

Whilst this would have an impact on the resources available for investment in existing stock modelling suggest that this can be delivered at no serious detriment to investment and long term benefit to the plan and meeting housing need.

For the foreseeable future there is also the attraction of New Homes Bonus on these additional units.

However, the impact of the Government's future RTB proposals, once known, will need to be modelled to ensure that Cabinet are fully aware and understand the implications of a more generous discount scheme at the time of making future investment decisions relating to a Council programme of new build.

5.6 Financial & Treasury Management Strategy

5.6.1 The Model

In order fully to realise the longer-term opportunities available to the Council through the transition to Self Financing, it is important to understand future cash flows within the HRA in a way that was not necessary

under the annually renewable subsidy arrangement. For this purpose the Council has procured from the Chartered Institute of Housing (CIH), the 'HRA Business Plan and Self Financing Model' (the Model).

The Model includes all the income and expenditure, for both revenue and capital, associated with the HRA for a period of 35 years, starting in financial year 2012/13. The income and expenditure includes future projects for which the timing and approximate costs are known, and are therefore entered directly into the Model. In addition, for those factors which influence future income and expenditure but cannot be known in advance, e.g. inflation or rent reviews, a series of assumptions are made to enable future projections.

The Model should be seen as a live document, with the flexibility to be constantly updated as new information becomes available. This means that, at any given moment, the Council has access to the clearest picture possible of the HRA financial position over the next thirty years. This same flexibility can be used to model a range of possible outcomes of particular decisions, which when combined with qualitative information will provide Members with a more robust basis for decision-making than has previously been available.

The graph below is taken from the current version of the business planning model, and illustrates how forecast income over the next 30 years will be used to fund the various categories of expenditure within the Housing function. The gap between the blue line, representing income, and the top of the bars, representing annual expenditure by category, reflects the surplus generated each year.

Graph to be inserted.

Fig 4.

5.6.2 Version control

Given the statutory nature of, and the social impact resulting from the decisions underpinned by the Model, it is important that version control is maintained. The official version of the model must be aligned with the Council's revenue and capital budgets, and therefore, for governance purposes, is held within Financial Services. The official version will be reviewed quarterly by Housing & Finance officers and formally updated annually.

5.6.3 Core financial principles

There are several core financial assumptions and principles that materially influence the Model. These are detailed below. (There are a range of other assumptions within the model, which are outlined in Appendix a.)

- **Rental income**

Future rental income is currently assumed to continue with national rent policy, leading, for the majority of properties, to convergence by 2021/22. In effect, this means uplifting rental income within the Model annually by RPI + 0.5% + £2, until 2021/22, and by RPI + 0.5% thereafter. (RPI is currently assumed to be 2.5%, based on the Bank of England target.) New tenancies begin at target rent for the property.

- Interest charges

The HRA pays interest on loans totalling £354.015m, taken to fund the Self Financing transaction on 28 March 2012. More detail on the composition and management of these loans can be seen in the Treasury section, below.

- Depreciation

The depreciation charge shown in the model is the same amount as the Major Repairs Allowance (MRA) assumed in the DCLG Self Financing debt allocation model, and is used to finance planned capital expenditure. Adopting the MRA figure as a proxy for depreciation is compliant with the CIPFA transitional arrangements for the adoption of Self Financing, which are applicable for five years.

In conjunction with the implementation of the new HRA Asset Management System over the next 12 months, further work will be undertaken to refine the depreciation charge to the HRA on a componentisation basis.

- Revenue Contribution to Capital (RCCO)

This annual charge comprises two elements: 1) financing the annual shortfall between planned capital expenditure and depreciation, 2) repayment of loans maturing in that year.

- Minimum Revenue Balance

The HRA is set to maintain a minimum balance of 5% of turnover.

5.6.4 Treasury

The HRA has loans totalling £354m. These loans were all booked on 26 March 2012 in order to fund the Self Financing payment made to the Department for Communities and Local Government (DCLG) on 28 March 2012. £347m of loans were taken from the Public Works Loan Board (PWLB), with the remaining £7m borrowed from the General Fund (GF).

The rules of Self Financing impose a debt cap on the HRA equal to the level of borrowing undertaken for the purpose of the Self Financing transaction, i.e. £354m. Because the HRA Capital Financing Requirement (CFR) was in credit by £8.1m before the loans were taken, the HRA currently has headroom of £8.1m which it is envisaged will be spent on land assembly for New Build projects. Further capital headroom will be generated annually as loans mature and the HRA repays debt principal.

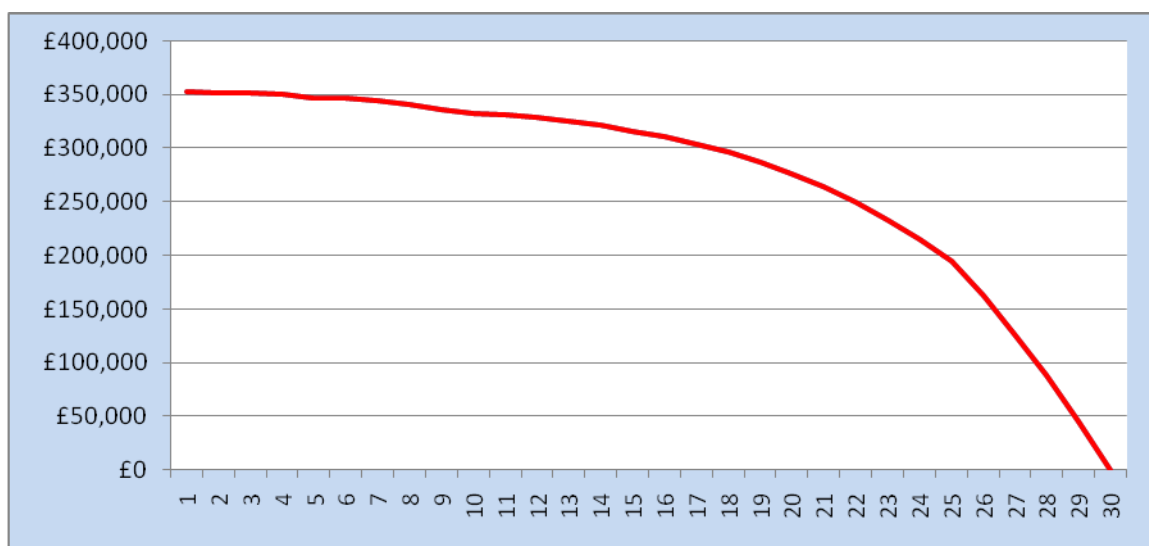
The loan portfolio has been structured to secure the optimal average interest rate, i.e. balancing quick repayment of loan principal (in order to minimise annual interest charge), with the need to ensure sufficient capital funds are available to deliver the Dacorum Standard in line with the AMS.

The portfolio comprises 30 maturity loans, with one maturing each financial year until the final payment is made in 2041/42. The five loans with the shortest maturity dates are from the GF, and incur interest charges at the same rate as would maturity loans for the same period from the PWLB. This is effectively an arm's length transaction in compliance with the principles of the HRA ring fence.

The HRA retains the flexibility to repay these loans earlier than their maturity date (for which a penalty may be payable), or to refinance in order to fund future priorities.

The graph below, taken from the current version of the business plan model, illustrates the rate at which debt is repaid over the thirty years of the business plan. The gradient of the curve steepens significantly towards the end of the 30-year period as the increasing surpluses generated in these years enable larger annual repayments to be made.

Fig 5.



The horizontal axis shows the year of the plan, and the vertical axis shows the amount of debt outstanding.

Appendix F shows the loan portfolio in detail.

5.7 Community Development

Earlier in section 5.1 the Council’s approach to governance of the HRA BP and the role in which tenants and leaseholders have in this was explained. Community Development however goes much further than just ‘involving’ people. Successful Community Development is positive action that helps people develop the ability to organise themselves in response to issues or opportunities that they face.

There is an opportunity in Dacorum for the effective use & management of assets to assist in the development of the community. The Housing Landlord service will work closely with the Resident Services team to integrate this asset based approach to community development into the overall strategy. There are various methods by which this will be achieved;

- Opportunities for people to learn and develop their own skills
- Reaching out and involving those who may be excluded or disadvantaged
- Helping community groups tackle their challenges themselves
- Promote engagement and dialogue between communities and agencies which affect their lives

The value of the Council’s assets cannot be underestimated in terms of ensuring successful community development is achieved which underpins many of the investment and financial decisions arrived at within the Business Plan.

6. Appendices

Appendix a - Assumptions

The HRA Business Plan currently incorporates the following assumptions:

	Assumptions
HRA Working Balance	5% of turnover
MRR Balance	Depreciation ring fenced to MRR. The preferred option does not show increasing MRR balance because in all years planned capex exceeds depreciation, with HRA contributions to capital topping up the shortfall.
Rent	Convergence assumed in 2021/22. The business plan assumes continuation of the current Government rent policy, i.e. RPI+0.5%+£2 (the model approximates an increase to reflect the £2 element). After convergence the annual increase is RPI + 0.5%. This reflects the Government’s assumptions made in the SF settlement.
RPI	2.5%
New Build Programme	Years 1 – 3 15 per annum with £15k HCA grant each Years 4-10, 15 per annum / Years 10-30 30 per annum.
New Build Net Present Value	7% discount rate (based on common practice for Housing Association decision modelling)
Bad Debt provision	Tripled in 2014/15 to take account of new restrictions on Housing Benefit rents (based on a 66% Benefits caseload)
Build cost per unit	£150k (incl. Land)

52 week rent per unit	£160 p/w based on affordable rent charged for New Build - 2 bedroom property. This figure is based on 80% of Local Housing Allowance (LHA) which is deemed to represent the market rent (£800 p/m).
General Management costs	Based on current stock, General Maintenance cost is £560 per unit. This is reduced to £400 per unit for New Build based on a reduced management cost linked to the reduced maintenance costs for new builds.
Special Management costs	There is no Special Management input on the New Build element of the model because it is assumed that the new builds would not be Elderly Persons Developments which are primarily those properties which attract the Special Maintenance costs.
Negative CFR	No negative CFR is included in this model
Right to Buy	The model does not reflect the Government's proposed policies within Reinvigorating RTB. This is will be reviewed following a formal announcement. Any increase in take-up under the draft proposals is not expected to make a material difference to the current model

Appendix b - Dacorum Standard

The Dacorum Standard

	Dacorum Standard
Totals	£690,428,261
Stock Total Used in Stock Condition Survey	10,572
Cost per unit over 30 years	£65,307
Improvements	
Bedsit Remodelling	✓
Provide front external lights	✓
Provide rear/side external lights	✓
Outbuilding WC - No WHB - Decent Homes Failure	✓
Mains Smoke Detector - Install new	✓
Battery Carbon Monoxide Detector - Install new	✓
Central heating - Partial system - Radiator heating	✓
Central heating - Partial system - Storage heating	✓
Install full central heating (excluding boiler)	✓
Install boiler	✓
Loft Insulation - 0 to 49mm	✓
Loft Insulation - 50 to 200mm	✓
Improvements to Flats - Install door entryphone/intercom	✓

Improvements to Flats- Install Fire Alarm	✓
Catch Up/Backlog Repairs	
All Items Included	✓
Future Major Works	
Roofs/Chimneys	✓
Guttering, downpipes and fascias	✓
Windows	All s/g windows replaced in first 5 years
External Doors	All timber front/back doors replaced by Secured by Design Spec (£550-£600)over 30 years
Walls/Canopies	✓
Fences, Paths and Boundaries	✓
Outbuildings	✓
Kitchens	£4700 average cost per kitchen
Bathrooms	£2100 average cost per bathroom
Wiring	✓
Plumbing and Heating	✓
Communal Areas	✓
Other	✓
	□
Environmental Improvements	
All Items	✓
Related Assets	
All related assets	✗
Response and Void Maintenance	
All Items	✓

Cyclical Maintenance	
All Items	✓
Contingent Major Repairs	
All other Items	✓
Asbestos	✓
Exceptional Extensive Works	
Non Traditional Property Repairs	✓
Aids and Adaptations	
All Items	✓

Appendix c – Risks

The following risks have been identified to the DBC Housing Revenue Account Business Plan

Risk	Issues and proposed mitigation
Right to Buy levels increase greater than the Business Plan assumptions	Potential impact difficult to assess and mitigate for due to unknown demand. This will be subject to close review in 2012 and going forward
Introduction of Universal Credit	This could potentially have a negative impact on the ability to collect rent and other charges. Provision has been made in the Business Plan for a negative impact on income collection and will be regularly reviewed. Exploratory work with colleagues in Revenues & Benefits and external bodies will take place in 2012
Government revisits the settlement	The Business Plan commits available resources throughout the 30 year period which could influence any impact on the Council of any Government Intervention favourably.
Rent increases are not implemented in accordance with government expectations	The Business Plan has assumed that the Council will follow National Rent Policy until convergence and beyond. There is an acknowledgment however that this could be a strain on many working tenants and will need regular review after convergence.

Appendix d – Housing Revenue Account 2012/13 – 2016/17 & 30 yr totals

HOUSING REVENUE ACCOUNT PROJECTIONS

Dacorum BC

Year	2012.13	2013.14	2014.15	2015.16	2016.17	2041.42
£'000	1	2	3	4	5	30
INCOME:						
Rental Income	50,171	52,972	55,772	58,564	61,268	137,076
Void Losses	-753	-793	-834	-875	-915	-2,049
Service Charges	170	175	179	183	188	349
Non-Dwelling Income	221	226	232	237	243	451
Grants & Other Income	277	284	291	299	306	568
Total Income	50,086	52,863	55,640	58,409	61,090	136,395
EXPENDITURE:						
General Management	-6,043	-6,201	-6,362	-6,527	-6,697	-12,959
Special Management	-3,303	-3,608	-3,927	-4,022	-4,120	-7,633
Other Management	-24	-24	-25	-25	-26	-48
Rent Rebates	0	0	0	0	0	0
Bad Debt Provision	-201	-212	-721	-754	-788	-1,640
Responsive & Cyclical Repairs	-9,612	-9,853	-10,101	-10,355	-10,616	-18,651
Total Revenue Exp	-19,182	-19,898	-21,135	-21,685	-22,247	-40,931
Interest Paid	-11,670	-11,665	-11,660	-11,658	-11,643	-1,598
Finance Administration	0	0	0	0	0	0
Interest Received	56	89	133	177	220	4,621
Depreciation	-11,987	-12,302	-12,625	-12,957	-13,297	-26,034
Net Operating Income	7,303	9,088	10,352	12,286	14,123	72,453
APPROPRIATIONS:						
Revenue Provision (HRACFR)	0	0	0	0	0	0
Revenue Contribution to Capital	-3,746	-4,698	-5,946	-7,874	-9,764	-60,960
Total Appropriations	-3,746	-4,698	-5,946	-7,874	-9,764	-60,960
ANNUAL CASHFLOW	3,558	4,390	4,407	4,412	4,359	11,492
Opening Balance	3,198	6,755	11,145	15,552	19,964	150,591
Closing Balance	6,755	11,145	15,552	19,964	24,323	162,083

The above extract from the business plan model shows the first 5 years of the HRA revenue projections, together with, for the benefit of comparison the projections for year 30. It should be noted that these figures are forecasts based on current best estimates, and are subject to change as time progresses and more information becomes available.

The key difference between the budgeted expenditure in year 1 of the plan (relating to 2012/13) and the HRA budget approved by Council in February 2012 relates to Interest Paid against the self-financing loan, which was £4.3m higher in the approved budget. Interest payable was reduced following the

announcement of more favourable interest rates on the date the loan was booked, 26 March 2012, than had been assumed at the time the original budget was set. There are a number of other minor differences (totalling around 0.1% of annual turnover) that arise due to assumptions in the model's formulae.

Appendix e – Capital Expenditure 2012/13 – 2016/17 & 30 yr totals

HOUSING PROJECTIONS		CAPITAL					
Dacorum BC							
Year	2012.13	2013.14	2014.15	2015.16	2016.17	2041.42	
£'000	1	2	3	4	5	30	
EXPENDITURE:							
Planned Variable Exp	0	0	0	0	0	-1,044	
Planned Fixed Exp	-15,860	-16,257	-16,663	-17,080	-17,507	-34,925	
Disabled Adaptations	-750	-769	-788	-808	-828	-1,535	
Other Capital Expenditure	-50	-51	-53	-54	-55	0	
New Build Expenditure	0	0	-1,773	-2,423	-2,484	-2,302	
Procurement Fees	-12	-40	0	0	0	0	
Previous Year's B/F Shortfall	0	0	0	0	0	0	
Total Capital Expenditure	-16,672	-17,117	-19,277	-20,364	-20,873	-39,805	
FUNDING:							
Major Repairs Reserve	11,926	11,394	12,280	11,413	10,005	-21,155	
Right to Buy Receipts	0	0	0	0	0	0	
HRA CFR Borrowing	0	0	0	0	0	0	
Other Receipts/Grants	1,000	1,025	1,051	1,077	1,104	0	
HRA Reserves	0	0	0	0	0	0	
Revenue Contributions	3,746	4,698	5,946	7,874	9,764	60,960	
Total Capital Funding	16,672	17,117	19,277	20,364	20,873	39,805	

The above extract from the business plan model shows the first 5 years of the HRA capital projections, together with, for the benefit of comparison the projections for year 30. It should be noted that the capital budget for 2012/13 in the table is £24k lower than the HRA capital budget approved in February 2012. This table is more up-to-date than the capital programme, which is soon to be amended to reflect the above figures.

Appendix f – 30 yr loan profile

EXISTING DEBT PORTFOLIO							
Loan ref	Opening Balance	Interest Type	Interest Rate	Repay Type	Repayment Frequency	Lender	Redemption Date
Loan 1 a	£1,411,471	Fixed	0.40%	Maturity	Half Yearly	GF	28/03/2013
Loan 2 a	£877,345	Fixed	0.56%	Maturity	Half Yearly	GF	28/03/2014
Loan 3 a	£297,826	Fixed	0.75%	Maturity	Half Yearly	GF	28/03/2015
Loan 4 a	£1,479,489	Fixed	0.99%	Maturity	Half Yearly	GF	28/03/2016
Loan 5 a	£3,209,393	Fixed	1.24%	Maturity	Half Yearly	GF	28/03/2017
Loan 6 a	£567,166	Fixed	1.50%	Maturity	Half Yearly	PWLB	28/03/2018
Loan 7 a	£2,068,572	Fixed	1.76%	Maturity	Half Yearly	PWLB	28/03/2019
Loan 8 a	£3,585,697	Fixed	1.99%	Maturity	Half Yearly	PWLB	28/03/2020
Loan 9 a	£4,590,217	Fixed	2.21%	Maturity	Half Yearly	PWLB	28/03/2021
Loan 10 a	£3,480,273	Fixed	2.40%	Maturity	Half Yearly	PWLB	28/03/2022
Loan 11 a	£1,370,129	Fixed	2.56%	Maturity	Half Yearly	PWLB	28/03/2023
Loan 12 a	£2,309,505	Fixed	2.70%	Maturity	Half Yearly	PWLB	28/03/2024
Loan 13 a	£3,334,576	Fixed	2.82%	Maturity	Half Yearly	PWLB	28/03/2025
Loan 14 a	£4,442,038	Fixed	2.92%	Maturity	Half Yearly	PWLB	28/03/2026
Loan 15 a	£5,637,006	Fixed	3.01%	Maturity	Half Yearly	PWLB	28/03/2027
Loan 16 a	£5,110,074	Fixed	3.08%	Maturity	Half Yearly	PWLB	28/03/2028
Loan 17 a	£6,339,797	Fixed	3.15%	Maturity	Half Yearly	PWLB	28/03/2029
Loan 18 a	£7,664,605	Fixed	3.21%	Maturity	Half Yearly	PWLB	28/03/2030
Loan 19 a	£9,089,448	Fixed	3.26%	Maturity	Half Yearly	PWLB	28/03/2031
Loan 20 a	£10,620,253	Fixed	3.30%	Maturity	Half Yearly	PWLB	28/03/2032
Loan 21 a	£12,546,288	Fixed	3.34%	Maturity	Half Yearly	PWLB	28/03/2033
Loan 22 a	£14,313,519	Fixed	3.37%	Maturity	Half Yearly	PWLB	28/03/2034
Loan 23 a	£16,205,585	Fixed	3.40%	Maturity	Half Yearly	PWLB	28/03/2035
Loan 24 a	£18,230,083	Fixed	3.42%	Maturity	Half Yearly	PWLB	28/03/2036
Loan 25 a	£20,394,596	Fixed	3.44%	Maturity	Half Yearly	PWLB	28/03/2037
Loan 26 a	£32,380,217	Fixed	3.46%	Maturity	Half Yearly	PWLB	28/03/2038
Loan 27 a	£35,524,201	Fixed	3.47%	Maturity	Half Yearly	PWLB	28/03/2039
Loan 28 a	£38,864,428	Fixed	3.48%	Maturity	Half Yearly	PWLB	28/03/2040
Loan 29 a	£42,416,950	Fixed	3.49%	Maturity	Half Yearly	PWLB	28/03/2041
Loan 30 a	£45,654,253	Fixed	3.50%	Maturity	Half Yearly	PWLB	28/03/2042

The above table shows the current HRA loan portfolio, including the amount of each loan, the maturity date of each loan, and the rates of interest.