



Dacorum Borough Council Housing Revenue Account Business Plan 2013/14

People: Property: Place

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1. Overview

This is Dacorum Borough Council's first update of its 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. This allowed 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 are available to the Council, provided that the business plan is followed and the services effectively and efficiently run, have increased 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 of 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 introduced a change, referred to as 'Self Financing' and from April 2012 the Council now keep all of its rental income from Council Housing, no longer pay negative subsidy to the government, but 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 allows 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.

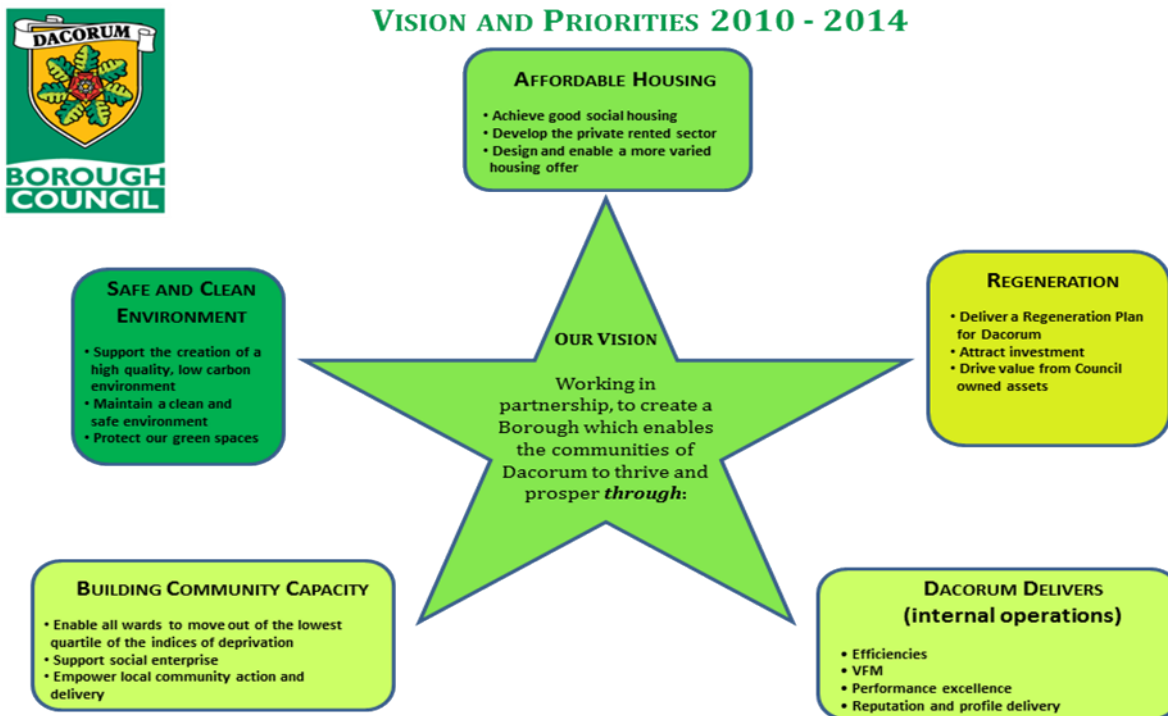
Following Self Financing more resources were immediately available to the Council to invest in its housing stock and during 2012/2013 the Property & Place Team have worked with our contractors to ensure that maximum efficiency was gained from these resources resulting in a huge increase in the volume of improvement works carried out compared to 2011/2012.

Improvement Works	2011/2012	2012/2013
Kitchen Renewal	196	456
Bathroom Renewal	192	426
Re-Wire	250	605
Front Doors	532	1935

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

Due to the significant changes in the Housing Service it was acknowledged that there needed to be a clear direction and vision for staff, tenants and leaseholders and the Council to buy into so that common goals were expressed in order to achieve success and take the service forward.

‘We want Dacorum to be a place people are proud to call home. We will involve our tenants & leaseholders in decisions, provide good quality, affordable homes, help maintain tenancies and prevent homelessness – and be honest about improvements we still need to achieve.’

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).

The HRA BP sets out the investment requirements that the housing stock and broader estate infrastructure will require over 30 years. Short and medium term requirements on the stock are known and were agreed at Cabinet in December 2011 following consultation with tenants. Broader investment assumptions have been made which were essential to establishing the detail of the borrowing portfolio taken in March 2012, and which will see the initial Self Financing debt of £354m repaid by the end of year 30.

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

This HRA BP will become a living document which articulates the short, medium and long term strategies 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 the ability to influence any reviews or amendments.

DBC Cabinet

Ultimately the HRA BP and all the detail within it will be signed off and agreed by the Council's Cabinet on an annual basis, with day to day management of the BP delegated to senior Council officers in the Housing and Finance teams.

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 oversight of all aspects of housing in Dacorum. The Committee also has co-opted members representing the Tenants & Leaseholders Committee.

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’ and assisting in the ongoing review process

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, reviewed its Tenant Involvement structure in 2012 and published a new Involvement Strategy, **‘Get Involved’**.

5.2 Service Priorities

Working with tenants, leaseholders and Members the Housing Service has identified clear priorities for the short and medium term future. These are collated in the 2013/14 Housing Service Plan and progress will be monitored quarterly at both the Tenants & Leaseholders Committee and Housing & Communities Overview & Scrutiny Committee. These objectives have been agreed keeping in mind the Council’s Vision and Priorities and have been recognised in the budget setting process for 2013/14.

	<i>What will be different once this work is done</i>	<i>Project Lead</i>
<i>Asset Management Strategy</i>	<i>We will develop a long term plan which will detail how we expect to invest in Dacorum Borough Council owned homes, sheltered schemes, footpaths and drying areas over the next 10 years.</i>	<i>Asset Team Leader</i>
<i>Cross Tenure Energy Strategy</i>	<i>We will utilise grants where available to help improve the energy efficiency of privately rented, privately owned and Dacorum Borough Council owned homes.</i> <i>We will also ensure that when we undertake work to improve Dacorum Borough Council owned homes that we seek to improve their energy efficiency.</i>	<i>Asset Team Leader</i>

<i>Digital access</i>	<p><i>We will improve the number of people who have access to the internet; by:-</i></p> <ul style="list-style-type: none"> • <i>Installing internet enabled computer terminals in each of our sheltered schemes</i> • <i>Working with Community Centres to install additional internet enabled computer terminals</i> • <i>Develop a training course to enable tenants to develop their IT skills</i> 	<i>Income Team Leader</i>
<i>Homelessness - prevention and developing a new Homelessness Strategy</i>	<p><i>We want to help prevent households from becoming homeless. Our Housing Advice Team already provides services to help households from becoming homeless. During 2013/14 we will:-</i></p> <ul style="list-style-type: none"> • <i>Develop working with the local prison to ensure that when inmates finish their term that they have access to suitable accommodation.</i> • <i>Employ Welfare and Budget Advisors to help residents with the impact of the on-going economic difficulties and the introduction of changes to welfare benefits.</i> • <i>Adopt a Homelessness Strategy that will set long-term strategic objectives with a clear action plan for:</i> <ul style="list-style-type: none"> ➢ <i>Preventing homelessness,</i> ➢ <i>Improving temporary housing options, and</i> ➢ <i>Focusing on suitable and well-managed resettlement into more secure accommodation.</i> 	<i>Homelessness and Housing Advice Team Leader</i>
<i>Developing the Private Rent Sector</i>	<p><i>We want to develop and run a Local Lettings Agency to improve and expand the current Deposit Guarantee Scheme. The aims of this work will be to:</i></p> <ul style="list-style-type: none"> • <i>Increase the number of local landlords working with the Council;</i> • <i>Provide more housing options to low income and vulnerable households;</i> • <i>Develop a modern, professional service with a good local reputation; and</i> • <i>Generate income to cover costs (remaining competitive over private agencies).</i> 	<i>Strategy & Private Sector Housing Team Leader</i>
<i>Developing the Housing Options service</i>	<ul style="list-style-type: none"> • <i>Develop a new Enhanced Housing Options module on the Moving with Dacorum website which identifies the options available to a household when seeking alternative accommodation.</i> • <i>We will also provide more details on the website including developing a user guide and information leaflets on topics such as About Housing in Dacorum.</i> 	<i>Housing Options Team Leader</i>

<p>We will utilise the feedback we receive to improve the quality of the services we provide.</p> <p>(affects tenants, leaseholders and housing applicants)</p>	<p>We receive feedback in the form of satisfaction survey responses, complaints, comments at involvement events and complements.</p> <p>We will:</p> <ul style="list-style-type: none"> • Delivering an improvement plan developed as a result of undertaking the Survey of Tenants and Residents (STAR) and publish progress within News and Views and our Annual Report. • Publish information on the themes that people are complaining about • Ensure that our 'Local Offers' continue to reflect our tenants priorities • Review how affective our satisfaction surveys are in capturing the views of our tenants <p>We will use this information to review our policies and procedures and enhance the information that we provide to service users.</p>	<p>Policy and Participation Team Leader</p>
<p>Leasehold service review</p>	<p>Review the service that leaseholders receive; by:-</p> <ul style="list-style-type: none"> • Comparing the service that leaseholders in Dacorum receive with other leaseholders across the county • Asking leaseholders' their view of the quality and costs associated with their existing service • Ensuring that all processes associated with providing services to leaseholders are as efficient as possible 	<p>Leasehold Team Leader</p>
<p>Older Persons Strategy</p> <p>(affects tenants, leaseholders, housing applicants and residents across the borough)</p>	<p>We will look at the housing, support, care and health services available to older people across the borough.</p> <p>This work will seek to understand how well these services are working together and what is needed to be done to improve the co-ordination of these services over the next 10 years.</p> <p>We will also identify whether there is sufficient provision of services for older people within the borough; whether new services are required or some are existing services are surplus to requirements.</p> <p>A new Older Persons Strategy will be developed and adopted by the Council.</p>	<p>Strategy & Private Sector Housing Team Leader</p>
<p>Repairs & Maintenance Procurement project delivery</p>	<p>This work is designed to enable us to prepare for the end of our current maintenance contracts – and to ensure that a new contract(s) is in place from the spring of 2014.</p>	<p>Property and Place Group Manager</p>

<i>(affects tenants and leaseholders)</i>		
<i>Vulnerable people (affects tenants)</i>	<i>We will look at how we deliver services to ‘vulnerable people’ – for example we may do certain repair work quicker if a tenant is known to be vulnerable or be able to provide support services to ensure they are able to sustain their tenancy.</i>	<i>Tenant and Leasehold Group Manager</i>
<i>Develop phase 2 and 3 of the Council New Build Programme</i>	<i>We will develop phase 2 & 3 of the Council New Build programme including purchasing land, developing standard of the new homes and confirming the required budgets for the whole programme.</i>	<i>Housing Development Manager</i>

5.3 Condition of the Stock & Asset Management Strategy

Dacorum Borough Council’s Housing Revenue Account (HRA) Business Plan, 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 (AMS) 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 is being developed in 2013 and 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 AMS 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, and the 10% sample survey that was undertaken in 2008, all of 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 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 house prices, and more recently due to the economic downturn. However, the recent changes to the RTB scheme offer 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

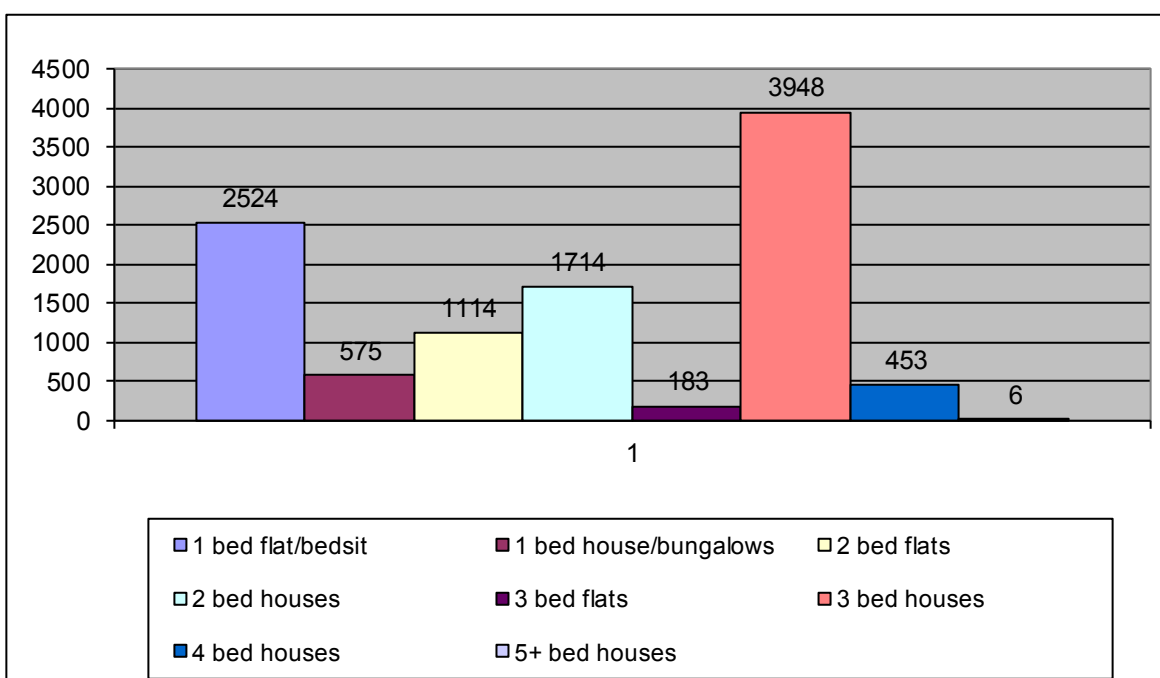
Through effective, active, asset management to have a high quality, well maintained, sustainable housing stock which meets a locally determined Dacorum Standard to provide the type and standard of accommodation our residents seek in the locations and environments they want to live.

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 has provided stock condition data that is being 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 was launched by the Government in October 2012, to replace the existing funding mechanisms that were available to assist both the private and public sector housing stock improve their energy efficiency.

The Council is committed to improving the energy efficiency of its housing stock. We tackle Fuel Poverty and try to ensure tenants can afford to stay warm at home. We have achieved this through the installation of energy efficient measures such as new windows, boilers, doors and insulation. More homes every year will continue to receive these measures and the Council will maintain and repair the measures we install.

Having accessed funding through the Carbon Emissions Reduction Target (CERT) loft insulation and cavity wall insulation has been installed throughout the Borough. The Council will continue to insulate homes and access Energy Company Obligation (ECO) funding to help deliver these works.

Tenants would need the consent of their landlord before having work done on their homes under the Green Deal. The Council will not give consent to tenants as energy-saving works will be delivered through improvement programmes at **no additional cost to tenants**.

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 of the 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.

The Council has made the decision to consolidate the planned and responsive repairs into a single contract, which will be delivered by one contractor. The main objective and benefits of this approach are to reduce the site based overheads by conjoining the two areas and to enable the Contractor to work closely with the Council to inform and develop a strategy that targets expenditure and reduce the inefficiency from repairing components that are at the end of their useful life. It is expected that the new contracts will start in 2014.

As the value and duration of the contract are significant the Council are using Competitive Dialogue to procure the new provider, so that prior to contract award there is a good understanding of the providers approach and solutions for ensuring the objectives are delivered.

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 was increased so that 70% was planned and 30% responsive. A similar level of investment is programmed for 2013-14 and the new service provider will be targeted to assist with the development and delivery of Capital estate improvement plans throughout the life of the contract.

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 £31M in the year 2013/14 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 and re-modelling of general needs stock	Certain property types, such as bedsits, are already less popular and this will grow over time. It is proposed that a budget be set out to deal with any demolition/replacement costs and for re-modelling.	22
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	Phase 1 – 71 Homes Phase 2 – 100 Homes Phase 3 – 100 Homes Years 11 – 30 - 30 homes per year	c.130.65m (871 homes)

5.5 New Build Strategy

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 has been committed to.

Phase 1 of the New Build Programme which was agreed by the Council's Cabinet in October 2012 is underway and the Council is on target to build 71 new homes by March 2015.

For Phase 1 the approach taken to delivering these new homes has been based on ensuring delivery within specific timescales.

The Council has since committed significant funding to deliver this new build programme, the first for over 30 years in the Borough, so to ensure delivery, development opportunities were identified which were deliverable by March 2015.

There are several different ways to develop new housing, some schemes may be purely land led, with some schemes bought "ready & off the shelf" from developers, with planning permission, which are ready to be built; some schemes can also be bought once fully built. Each approach has its own individual benefits and the way to deliver new homes varies scheme by scheme both financially and by deliverability.

Decisions regarding the delivery of future phases will again be led by deliverability together with best value for money. There are industry standards around land values and build costs which can be used to identify if

new housing schemes are best value for money. Viability of schemes is crucial in the current economic climate also; however deliverability and best value for money will always be the main two key priorities.

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

5.6 Financial & Treasury Management Strategy

5.6.1 The Model

The 'HRA Business Plan and Self Finance Model' (the Model) includes all the income and expenditure, for both revenue and capital, associated with the HRA for a period of thirty years, starting in financial year 2013/14. The income and expenditure includes all future projects for which the timing and approximate costs are known. 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 has been 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.

5.6.2 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. This means uplifting rental income annually by RPI + 0.5% + £2 for those properties not yet convergent with national rent guidelines, 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. Government is expected to indicate its proposals on rent expectations post 2015 as part of its preparation for the next Comprehensive Spending Review. Any announcements will be factored into future versions of the Model.
- **Interest charges**
The HRA pays interest on its loans 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.

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.

5.6.3 Reserves

The HRA is forecast to have generated an in-year surplus of £11.2 million by the time the 2012/13 Statement of Accounts is finalised. This surplus is the primary contributor to a new £12m reserve created to fund future investment within the Council's new build programme.

The surplus arose from the favourable outcome of a number of issues which were finalised as part of the 2011/12 year-end process and the transition to Self Financing, both of which occurred after the original budget had been approved. The key contributors were:

- £4.3m arising from reduced annual interest payments on the Self Financing loan of £354m. Interest rates were not available in advance of the loan being taken, and were finalised at an average of 3.3%, less than the prudent assumption of 4.5% in the original budget;
- £3.9m reduction in the Revenue Contribution to Capital arising from auditors' confirmation, following work undertaken by officers, that an historical £8.1m of capital funds would be available to the HRA for capital expenditure under the Self Financing regime;
- £3.2m reduction in the depreciation charge reflecting year-end adjustments to the book value of the Council's housing stock;
- £816k higher opening balance on the HRA after all the final accounts adjustments had been completed.

It is proposed that this reserve is increased when in-year revenue surpluses allow. The primary objective of the reserve is to support the Council's corporate priority of providing Affordable Housing, through future New Build schemes. In particular, clearly identified funds will enable the Council to respond quickly to the market and to make strategic land acquisitions when suitable development land becomes available.

5.6.4 Treasury

The HRA booked loans, in order to fund the Self Financing payment made to DCLG, totalling £354m. £347m of loans were taken from the Public Works Loan Board (PWLB), with the remaining £7m borrowed from the General Fund (GF).

The loan portfolio comprised of 30 maturity loans, with one maturing each financial year until the final payment, in 2041/42. The five loans with the shortest maturity dates were from the GF, incurring interest charges at the same rate as maturity loans would, 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.

Following the first full year of Self-Financing, the HRA has repaid the first of its maturity loans, to the GF, of £1.4m. A total loan balance of £352.6m remains, across the 29 outstanding maturity loans.

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.

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 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.

In 2013, working with the Chartered Institute of Housing, the Council developed a pilot scheme, taking a holistic approach to its service in partnership with all areas of the Council to see if a great impact and involvement of the community could be achieved. The pilot, 'Your Place', will be evaluated and considered following analysis and consultation with local people and the Tenants & Leaseholders Committee.

6. Appendices

Appendix a - Assumptions

The HRA Business Plan currently incorporates the following assumptions:

Item	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	The business plan assumes continuation of the current Government rent policy, i.e. RPI+0.5%+£2. After convergence with target rent, the annual increase is RPI + 0.5%. This approach reflects the Government's assumptions made in the SF settlement.
RPI	2.5%
New Build Programme	Phase 1 – 71 Homes Phase 2 – 100 Homes Phase 3 – 100 Homes Years 11 – 30 - 30 homes per year
New Build Net Present Value	7% discount rate (based on common practice for Housing Association decision modelling).
Bad Debt provision	Increased five-fold in 2014/15 to take account of new restrictions on Housing Benefit rents.
Build cost per unit	£150k (incl. Land).
52 week rent per unit	£105 p/w based on social rent charged for New Build - 2 bedroom property. This figure is equal to average 2013/14 Target Rent.
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	Negative CFR of £8.1m is included in the Model. It is envisaged this will be spent on land assembly for New Build projects.
Right to Buy	The model reflects the Government's proposed policies within Reinvigorating RTB through: 1) inclusion of RTB receipts of £500k per year, 2) inclusion of '1-4-1' receipts of £1.5 million for 2012/13 (1-4-1 receipts is additional RTB receipt income

	permissible on the premise that it is used for new build and is match-funded).
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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	Impact difficult to assess and mitigate for due to unknown demand. This is subject to close monitoring following changes in legislation during 2012. Expressions of interest initially increased dramatically, but not all of these have developed into sales. The Council has signed up to the DCLG's 'One for one replacement' scheme which ensures that the Council retains sufficient receipts from sales above the business plan assumptions to build a replacement home.
Welfare Reform	A number of changes have or are being introduced as part of the changes to the benefit system. The Social Sector Size Criteria (Bedroom Tax), Benefit Cap and Universal Credit have the potential to impact the ability of the Council's tenant to pay their rent. The Housing Service and its partners are taking measures to mitigate the impact such as additional resources advising tenants, a new Policy which helps tenants move to a smaller home and a revised Allocations Policy.
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	<p>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.</p> <p>An additional risk regarding rent is that the government imposes a maximum increase level going forward which is significantly lower than that assumed in the Business Plan</p>

Appendix d – Housing Revenue Account 2013/14 – 2017/18 & 30 year totals

HOUSING REVENUE ACCOUNT PROJECTIONS Dacorum BC

Year	2013.14	2014.15	2015.16	2016.17	2017.18	2042.43
£'000	1	2	3	4	5	30
INCOME:						
Rental Income	52,819	55,335	58,301	61,031	63,986	137,954
Void Losses	-500	-830	-875	-915	-958	-2,069
Service Charges	392	402	412	422	433	802
Non-Dwelling Income	260	267	273	280	287	532
Grants & Other Income	283	286	290	294	299	540
Total Income	53,254	55,459	58,401	61,112	63,957	137,760
EXPENDITURE:						
General Management	-5,983	-6,133	-6,316	-6,474	-6,659	-13,000
Special Management	-3,399	-3,483	-4,031	-4,130	-4,232	-7,847
Other Management	-14	-14	-15	-15	-15	-29
Rent Rebates	0	0	0	0	0	0
Bad Debt Provision	-212	-1,107	-1,160	-1,211	-1,263	-2,573
Responsive & Cyclical Repairs	-10,606	-10,097	-10,357	-10,621	-10,618	-19,838
Total Revenue Expenditure	-20,214	-20,833	-21,878	-22,452	-22,788	-43,286
Interest Paid	-11,665	-11,660	-11,658	-11,643	-11,603	0
Finance Administration	0	0	0	0	0	0
Interest Received	163	161	181	189	482	5,828
Depreciation	-9,389	-9,768	-10,239	-10,706	-11,193	-23,534
Net Operating Income	12,150	13,359	14,807	16,499	18,854	76,767
APPROPRIATIONS:						
Reserve Adjustment	0	-2,000	-2,500	1,500	-2,000	0
Revenue Provision (HRACFR)	0	0	0	0	0	0
Revenue Contribution to Capital	-12,062	-11,949	-12,143	-17,621	-16,601	-16,953
Total Appropriations	-12,062	-13,949	-14,643	-16,121	-18,601	-16,953
ANNUAL CASHFLOW	88	-590	164	378	254	59,814
Opening Balance	3,363	3,451	2,861	3,025	3,403	140,271
Closing Balance	3,451	2,861	3,025	3,403	3,657	200,085
Other HRA Reserve Balance	12,500	14,000	16,500	15,000	17,000	27,000

The above extract from the business plan model shows the next 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.

Appendix e – Capital Expenditure 2013/14 – 2017/18 & 30 year totals

HOUSING CAPITAL PROJECTIONS Dacorum BC

Year	2013.14	2014.15	2015.16	2016.17	2017.18	2042.43
£'000	1	2	3	4	5	30
EXPENDITURE:						
Planned Variable Expenditure	0	0	0	0	0	-1,449
Planned Fixed Expenditure	-17,125	-16,663	-17,080	-17,507	-21,875	-36,624
Disabled Adaptations	-769	-788	-808	-828	-849	-1,573
Walkway Repairs	-1,000	-1,000	0	0	0	0
Accelerated Estate Improvements	-750	-750	-750	-750	0	0
Other Capital Expenditure	-51	-53	-54	-55	0	0
New Build Expenditure	-4,416	-4,416	-3,750	-7,500	-4,875	0
Procurement Fees	-41	0	0	0	0	0
Previous Year's B/F Shortfall	0	0	0	0	0	0
Total Capital Expenditure	-24,152	-23,670	-22,441	-26,640	-27,599	-39,646
FUNDING:						
Major Repairs Reserve	10,552	9,470	8,683	7,363	10,432	21,644
Right to Buy Receipts	513	525	538	552	566	0
HRA CFR Borrowing	0	0	0	0	0	0
Other Receipts/Grants	1,025	1,726	1,077	1,104	0	1,049
HRA Reserves	0	0	0	0	0	0
Revenue Contributions	12,062	11,949	12,143	17,621	16,601	16,953
Total Capital Funding	24,152	23,670	22,441	26,640	27,599	39,646

The above extract from the business plan model shows the next 5 years of the HRA capital 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.