



**Dacorum Borough Council
Housing Revenue Account
Business Plan 2014/15**

People: Property: Place



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1. Overview

This is Dacorum Borough Council's second update of its Housing Revenue Account (HRA) Business Plan under the 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.

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 was unfair and if it had continued the Council 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 and a more sophisticated approach to asset management.

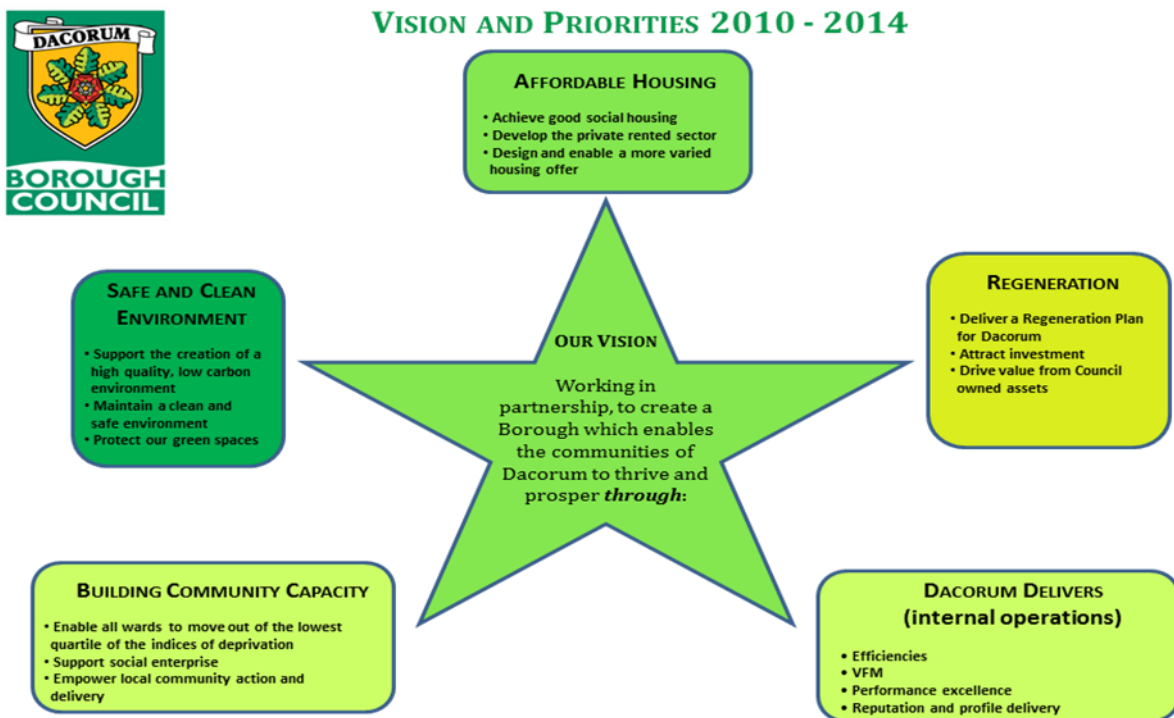
Following Self Financing more resources were immediately available to the Council to invest in its housing stock and over the past two years the Property & Place Team have worked with our contractors to ensure that maximum efficiency was gained from these resources resulting in a huge increase in the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

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

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.

During 2013 the Council published its Housing Strategy (2013 – 2018) which identified key strategic objectives:

- To plan and deliver a good supply and mix of housing
- To improve the quality of housing in Dacorum
- To monitor housing need effectively
- To maximise the delivery of affordable housing
- To improve prevention of homelessness and the range of temporary housing options
- To foster the private sector as a housing option

Due to the significant changes in the Housing Service itself, 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 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 is 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 Conferences
- STAR (Survey of Tenants and residents) every 2 years
- 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

During January & February of 2014 the Housing Service carried out its second STAR (Survey of Tenants & Residents) survey. It was agreed with the Tenants & Leaseholders Committee that the results and feedback should form the basis of the Housing Service Plan. It was also agreed that the Service Plan should be a 2 year programme which runs until the 2016 STAR survey

The key issues and priorities identified were:

- That the council should continue to treat investment in replacement kitchens, bathrooms and external doors and provision of new parking (where possible) as a priority for allocation of budgets.
- That the council should carry out further enquiries or surveys in order to ascertain why Dacorum's tenants seem more likely to be digitally excluded than the national average. Also to provide targeted training to enable and encourage older, financially disadvantaged or disabled tenants to use the internet if they wish to do so.
- That the council should continue to promote awareness of the standard of cleaning that tenants can expect, monitor standards via satisfaction surveys and invest in improvements to the service, including staff training where necessary.
- That Grounds Maintenance should be a regular agenda item for Housing Maintenance and Environment Committee (HMEC) with a view to monitoring standards and investigating options for improving levels of satisfaction.
- That HMEC and TLC should continue their involvement with monitoring the new TAM contract and work co-operatively with officers to devise both the new definition of 'right first time' and satisfaction surveys to promote confidence that service standards are being met.
- That the results of the question around Housing Benefits payments should be analysed to determine what percentage of those currently receiving Housing Benefit are not aware of the forthcoming changes. Also to determine whether there are any links between lack of awareness of the forthcoming changes and disability or lack of internet access at home. Measures then to be taken to ensure that all tenants are aware of how these changes will affect them.
- That we continue to publish STAR updates in News and Views and carry out further consultations in accordance with the Housing Consultation Strategy whenever changes are planned, whether to the service as a whole or at a local level.
- That all possible steps should be taken to reverse the trend of increasing numbers of residents finding it difficult to reach the correct person when contacting the Council.
- That using an Estate Management approach the Tenant Involvement Team in partnership with other housing colleagues should continue to organise and promote local area walkabouts to highlight any local problems and work co-operatively with Clean Safe & Green and Resident Services to tackle any local rubbish or littering issues.
- To develop the Council's New Build programme and ensure good quality homes are provided for both existing and new tenants in Dacorum.

5.3 Asset Management Strategy and the new TAM Contract

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 development of the AMS was commenced in 2013; however with the procurement of a new Total Asset Management contract in 2014 this has been deferred, as there are benefits from using the improved intelligence, which will be collected under the provisions of the new contract. In addition, by involving the new service provider, Geoffrey Osborne Ltd, it will enable the strategy to be adopted by both parties thereby ensuring it is both relevant and evolving. Once developed, 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 AMS the Council will work with Osborne to supplement the existing evidence base, which comprises of data collected by Savills compiled during two stock condition surveys and provides details on 60% of the properties. The data will continue to be collected and stored on a new asset management software system, so that future programmes can be targeted and developed using both the stock condition information and details from patterns of responsive repairs.

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 will be specifically designed to meet the Council's strategic planning needs under the 'self-financing' arrangements of HRA reform.

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, including the refurbishment, upgrading and provision of additional units on a block of flats in Longlands and a number of schemes which are targeted on improving the energy efficiency of the stock.

Despite the fact that by the deadline of December 2010, the Council successfully achieved the Government's Decent Homes compliance target, there still remains a number of properties which are non-decent, due to tenants declining to have decent homes works undertaken and the change in the Health and Safety rating system, which increased 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.

In order to achieve these aims the Council's has procured a Total Asset Management Contract, which will be delivered over a period of between five and ten years. The contract will incorporate both the responsive repairs and the planned programmes of work into a single contract, delivered by one service provider. The new contract is a departure from the traditional split of contracts and is designed to deliver the following five strategic objectives:

1. To work collaboratively with a contractor to provide an innovative, high quality and continually improving “Total Asset Management” service that aligns with DBC’s Housing business plan, asset management strategy and the corporate and housing priorities;
2. To ensure that DBC’s chosen partner demonstrates a sustainable business plan and financial stability for the life of the contract and that costs are continuously transparent, controllable and within a range of benchmarked costs;
3. Proactively involve tenants and leaseholders in the design, delivery, scrutiny and monitoring of the service;
4. To ensure relevant standards of workmanship, health & safety, and customer care are consistently demonstrated and measured;
5. To build sustainable communities, through training and employment of local people and the use of local organisations.

The Council has also entered into a new gas servicing and installation contract with Sun Realm and both contracts are based upon target costs and open book accounting, which is designed to enable the contractor and client to work together to derive efficiencies through targeted interventions on any high areas of expenditure. The new contractual arrangements will enable any savings to be reinvested in the stock by increasing planned programmes of work.

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) In addition the asset management strategy will consider whether the current stock profile is “fit for purpose” in terms of statutory compliance, layout and room sizes, ability to adapt or in line with the demand profile on the housing register.

5.3.2 Stock profile and Condition

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.

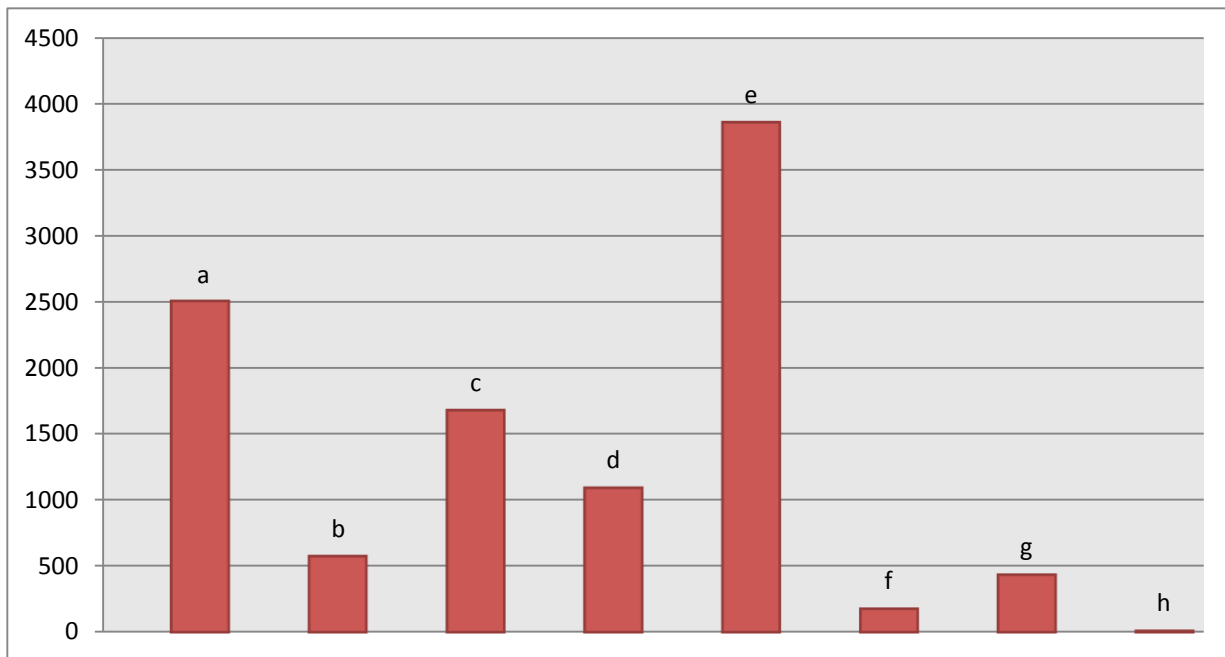
The Council’s total housing stock has decreased steadily over the years, largely as a result of tenants exercising their Right to Buy (RTB). Since the introduction of the RTB, about 58% of the housing stock has been sold. The rate of stock losses through RTB had reduced in response to the economic downturn and level of cap on the discounts applied. In the past year the recent changes to the RTB scheme offering larger discounts; combined with the help to buy scheme has increased the uptake and required investment in

replacing units on a one for one basis. In the last year 169 homes have been purchased through right to buy.

The Council are currently constructing new homes throughout Dacorum and have approximately 70 new homes due to be released by March 2015

We are constantly looking for ways to invest and improve our existing stock and some of these projects are described in the energy strategy

a	1 bedroom flats	2509
b	1 bedroom houses and bungalows	576
c	2 bedroom houses and bungalows	1682
d	2 bedroom flats	1095
e	3 bedroom houses	3862
f	3 bedroom flats	178
g	4 bedroom houses	436
h	5 + bedroom houses	10



The Council has 29 Cat 2 sheltered housing schemes which present including lifts and fire alarm. 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 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. The level of data will improve with the Total Asset Management Contract as "mini surveys" will be undertaken during routine site inspections and when the properties are void, which will supplement the existing information.

Overall the stock is considered to be in good condition, although it is acknowledged the move from a 5 to 8 year redecoration cycle and the historic under-investment in the replacement of boilers will require careful management to ensure these elements are brought in-line with anticipated component renewal lifespans. 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

Changes to 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, or statutory changes must be considered in the AMS.

The Council, in conjunction with tenants, produced the "Dacorum Standard" as part of the work undertaken when transfer to a Community Trust Housing Association model was under consideration. This standard exceeds Decent Homes Standard however will be reviewed in line with the findings from the STAR survey and the ongoing input from the tenant and leaseholder committees.

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.

Within the stock condition survey, there is an allowance for major contingent items which could fail and these include non-traditional constructed properties and an allowance for other major structural failures. Following the failure of a walkway in Blackpool and a single balcony in Bournemouth the balconies and walkways in the Borough, which were constructed using a similar cantilevered cast in-situ concrete have all been surveyed. The results of these surveys confirm that work is required to the majority of these structures which will require permanent supports.

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 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. Cavity wall and loft insulation has been installed throughout the Borough and we will continue to do this as well as introducing External Wall Insulation for properties of solid wall construction.

The government has committed to producing 15% of the UK's energy demand from renewable sources by 2020. We have installed Air Source Heat Pump heating systems in off-gas properties, which has proved to be a better alternative to the previous electric heating and also reduced tenants' fuel bills. Off gas areas will benefit most from these systems and we will look to install an element of renewable heating where viable. We are also exploring district biomass heating and the fuel savings this could bring to our tenants. To help fund these forms of heating we receive the Renewable Heat Incentive; the world's first long-term financial support programme for renewable heat.

When re-roofing properties consideration will be given to Solar PV and where the property is suitable we may look to install this renewable technology. The tenants will benefit from 'free' electricity during daylight hours and the Council will generate income through the Feed in Tariff. All renewable heating reduces our reliance on fossil fuels and cuts our carbon emissions.

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

The increasingly onerous requirements in the management of asbestos, to comply with the Control of Asbestos Regulations 2012 came into force 6th April 2012; this 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.

Asbestos surveys have been completed to all of our communal areas and management surveys completed to the communal areas in 2013. We are also carrying out Refurbishment and Demolition (R&D) surveys in all 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. The asbestos information is collated onto the housing asset management database, PIMSS and the TAM contractor will have access to this information, improving the way we manage this area of the service.

Looking ahead, in 2015 the regulations will include a medical examination for anyone working with asbestos either licensed or non-licensed works and further consideration is being considered as to the costs associated with this new obligation and how this may impact upon the future programmes of work.

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.

Statutory Health and Safety Requirements:

Fire Risk Assessments/Fire Safety work

Following the introduction of the Fire Safety Order 2005, the findings from the Lakenhal fire and specific advice from a fire safety consultant, intrusive type 4 FRA's are being carried out to determine the extent of compartmentation. Results indicate there is a great deal of work to be done to re-instate fire breaks and compartmentation in the sheltered schemes and blocks of flat, as it has either not been in place from build or has been compromised in various ways over time. When the opportunity arises this work takes place in voids within high rise blocks. It is planned to extend this to all flats and is likely to require an ongoing programme of investment to ensure where compromised the compartmentation between dwellings is reinstated with appropriate intumescent or fire resistant materials.

The front doors to leasehold properties has also been identified as another area where fire spread could occur due to leaseholders changing doors for non-fire resisting ones, which would not provide adequate protection. Best practice and knowledge sharing from other councils shows that, whilst the doors are the leaseholder's responsibility, many are now funding these projects to incentivise especially non-resident leaseholders to ensure the doors are compliant.

Feasibility studies are currently underway for carrying out a Sprinkler retrofit project at a Supported Housing scheme and Temporary Accommodation. Following the changes to the law in Scotland and Wales, Sprinkler retro fit projects are becoming increasingly common. Once the costs have been confirmed a decision can be made as to whether this pro-active fire suppression method is considered to provide sufficient benefit to roll out across the higher risk properties within the housing stock...

Legionella

The main guidance for the control of Legionella bacteria in water systems was renewed in November 2013, the specific system controls have been broken into 3 parts with draft guidance for part 2 for the control of hot and cold water indicating there will be extra duties placed upon the council. The draft guidance makes it clear that landlords will be responsible for carrying out risk assessments on the water systems of domestic properties. This will mean that "It may be impractical to risk assess every individual residential unit, for example where there are a significant number of units under the control of the landlord, such as Housing Associations or Councils. In such cases, a representative proportion of the premises for which they have responsibility should initially be assessed, with the entire estate eventually assessed on a rolling

programme of work.” In addition the previous ACOP stated that Legionella risk assessments should be reviewed at least every 2 years. L8 now says that the assessment should be reviewed “periodically” or at appropriate intervals if it is considered to be no longer valid. Again this requirement is more onerous than the current position and will require review and revisions to our approach with regards to frequency and coverage of assessment.

Gas safety

Hard wired smoke detectors and carbon monoxide detectors are being installed and tested at every landlords gas safety check. Priority is being given to replacing open flued and back boilers. Generally the results of the independent audit are coming back as “good”. Some other councils/Housing Associations have processes in place to make sure tenants/leaseholders in properties where the gas supply is capped off are not reconnected by the gas supplier without their express permission. The council included provision within the new gas servicing contract for Sun Realm to undertake servicing to leaseholders boilers should they wish to be included in the annual servicing element of the contract. To date has not had any uptake from leaseholders, but is available and can be promoted to improve the potential for more leaseholders to join the scheme.

5.3.5 Priorities and delivery

As part of Dacorum’s proactive AMS, it will be desirable to increase the percentage of spend on Planned Capital investment to that which is spent on responsive repairs. In 2013-14 the percentage of planned work was 70% was planned and 30% responsive. A similar level of investment is programmed for 2014-15, although due to the suspension of the planned programme for three months to enable mobilisation, this will result in a 60:40 split in the first year of the new TAM contract. From the second year of the new TAM contractor it is proposed that Osborne’s will assist in the design and management of the capital investment to reduce the number of responsive repairs 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.

5.3.6 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 through 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 (Years 9-30)	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 	50

	<ul style="list-style-type: none"> • Footpaths/footways • Security/lighting • Tree management • Landscaping and grounds maintenance • Drainage • Play areas 	
Sheltered scheme modernisation and re-modelling (Years 9-30)	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 (Years 6-30)	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 (Years 9-30)	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 (Years 6-8)	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.	3
New build	Year 1:71 homes Years 2-5: 133 homes Years 6-10: 221 homes Years 11-30: 30 homes per year	Approx. £227m (1025 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.

The Council publishes its first Development Strategy, ‘Building for the Future’ in 2013.

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 2014/15. 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 have 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

In May 2014, Government released guidance on an advised new national rent policy, to be applied from 2015/16.

Current Dacorum rent policy is to uplift rental income annually by 'RPI + 0.5%', with an additional £2 convergence factor, for tenants who are paying below Target Rent for their property.

Government guidance advises two fundamental changes to rent setting from 2015/16:

- Changing the annual uplift on rents from 'RPI + 0.5%', to 'CPI + 1%';
- Ending rent convergence.

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

Dacorum, therefore, propose to retain existing rent policy for those below Target Rent, but to implement CPI-linked rental increase for those who have already achieved Target Rent. This option enables Dacorum to achieve its planned future stock and service provision, whilst at the same time work towards parity of rents.

- 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 for dwellings in the Model, has been calculated as a factor of dwelling valuation and remaining useful life. The depreciation charge is used to finance planned capital expenditure.

- 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 final HRA balance at the end of 2013/14 was £2.723m after a transfer from reserves of £4.777m.

The transfer from reserves supported several in-year strategic acquisitions; purchased following research by the New Build Development team, on potential sites for future phases of new build.

It is proposed that reserves will continue to be 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 second year of Self-Financing, the HRA has repaid the first two of its maturity loans, to the GF, of £2.3m. A total loan balance of £351.7m remains, across 28 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 other departments of the Council 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. Due to the appetite of a particular group of residents in a specific area this has developed into an environmental and energy efficiency led re-furbishment project which could prove to be the template of how we carry out planned communal works going forward.

6. Appendices

Appendix a - Assumptions

The HRA Business Plan currently incorporates the following assumptions:

Item	Assumptions
HRA Working Balance	Minimum 5% of turnover.
MRR Balance	Depreciation ring fenced to MRR. The preferred option does not show an increasing MRR balance because in all years planned capex exceeds depreciation, with HRA contributions to capital topping up the shortfall.
Rent	For properties at Target Rent, the Business Plan assumes an annual uplift on rents of 'CPI + 1%', as per government guidance. For properties not at Target Rent, the Business Plan assumes a continuation of existing DBC policy, of an increase of 'RPI + 0.5%' plus up to £2 convergence.
RPI	3%, as per average historic RPI (since 2001).
CPI	2.3%, as per average historic CPI (since 2001).
New Build Programme	Year 1:71homes Years 2-5: 133 homes Years 6-10: 221 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 2015/16 to take account of new restrictions on Housing Benefit rents.
Build cost per unit	£150k (including Land).
52 week rent per new build unit	£109 p/w based on social rent charged for New Build - 2 bedroom property. This figure is equal to average 2014/15 Target Rent.
General Management costs	Based on current stock, General Maintenance cost is £580 per unit.
Right to Buy	The model reflects the Governments proposed policies within Reinvigorating RTB through: <ul style="list-style-type: none"> • Inclusion of RTB receipts of £500k per year • Inclusion of '1 for 1' receipts of £5million for 2014/15 (1 for 1 receipt is additional RTB receipt income permissible on the premise that it is used for the new build programme)

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 (£450-500) over 30 years
Walls/Canopies	✓
Fences, Paths and Boundaries	✓

Outbuildings	✓
Kitchens	£2816 average cost per kitchen
Bathrooms	£1699 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. The proposal within Universal Credit to pay Housing Benefit direct to tenants will potentially have the largest impact on the viability of the HRA going forward and income recovery processes will be updated to both meet these changes and to minimize losses.
Government revisits the settlement	The Business Plan commits available resources throughout the 30 year period which could allow any impact on the Council of any government intervention to be mitigated to reflect these commitments.
Rent increases are impacted by changes to national rent policy	The Business Plan had assumed that the Council will follow National Rent Policy until convergence and beyond. This was altered in 2013/14 to move from and RPI +0.5% to CPI +1% which has the effect of reducing future rent increases and income. The commitment to convergence was also ended as from 2015/16. The intention is to seek member approval for continuation towards convergence for as long as is possible. There is an acknowledgment however that this could be a strain on many working tenants and will need regular review after convergence.
Increases in maintenance costs over and above the plan assumptions	Costs may arise above plan assumptions for a range of reasons: build cost inflation; impact of new contracts; increase in tenant demand etc.
Unforeseen investment requirements	Whilst the Business Plan makes allowance for future planned investment there may be instances where an immediate call of resources to deal with an unforeseen matter is required. This has already occurred with certain walkways and balconies. The Business Plan is structured to allow these issues to be dealt with by reordering of priorities where the impact is sufficiently significant.

Appendix d – Housing Revenue Account 2014/15 – 2018/19 & 28/30 year totals

HOUSING REVENUE ACCOUNT PROJECTIONS Dacorum BC

Year £'000	2014.15 1	2015.16 2	2016.17 3	2017.18 4	2018.19 5	2041.42 28	2043.44 30
INCOME:							
Dwelling Rents	54,882	57,631	60,031	62,828	65,611	144,473	154,209
Void Losses	-547	-864	-900	-942	-984	-2,167	-2,313
Service Charges	1,156	1,191	1,226	1,263	1,301	2,568	2,724
Non-Dwelling Rents	80	82	85	87	90	178	189
Contributions to Expenditure	460	474	488	503	518	1,022	1,084
Total Income	56,031	58,514	60,930	63,739	66,536	146,073	155,893
EXPENDITURE:							
General Management	-5,996	-6,218	-6,407	-6,637	-6,872	-14,479	-15,442
Special Management	-4,871	-5,470	-5,634	-5,803	-5,978	-11,797	-12,516
Rents, Rates & Taxes	-14	-14	-15	-15	-16	-31	-33
Bad Debt Provision	-216	-1,153	-1,200	-1,256	-1,312	-2,886	-3,080
Responsive & Cyclical Repairs	-11,928	-10,411	-10,713	-10,795	-11,127	-23,115	-24,610
Total Revenue Expenditure	-23,025	-23,266	-23,970	-24,508	-25,305	-52,308	-55,681
Interest Paid	-11,660	-11,658	-11,643	-11,603	-11,594	-2,249	-800
Interest and Investment Income	103	135	95	61	63	190	2,090
Depreciation	-8,908	-9,197	-9,456	-9,818	-10,130	-20,658	-21,960
Net Operating Income	12,541	14,528	15,957	17,871	19,570	71,048	79,541
APPROPRIATIONS:							
Reserve Adjustment	4,190	-5,190	6,000	500	-500	0	0
Revenue Contribution to Capital	-16,485	-8,916	-22,170	-18,052	-18,484	-70,870	-31,389
Total Appropriations	-12,295	-14,106	-16,170	-17,552	-18,984	-70,870	-31,389
ANNUAL CASHFLOW	246	422	-213	319	586	178	48,152
Opening Balance	2,762	3,008	3,430	3,217	3,536	6,337	46,636
Closing Balance	3,008	3,430	3,217	3,536	4,123	6,516	94,787
HRA New Build Reserve	2,810	8,000	2,000	1,500	2,000	0	0
HRA Borrowing	0	0	0	0	0	-26,671	-26,671

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 28, when the final repayment of the loan is completed, and 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 2014/15 – 2018/19 & 30 year totals

**HOUSING CAPITAL
PROJECTIONS
Dacorum BC**

Year £'000	2014.15 1	2015.16 2	2016.17 3	2017.18 4	2018.19 5	2043.44 30
EXPENDITURE:						
Planned Variable Expenditure	-10,342	-9,601	-10,617	-10,164	-10,407	-12,270
Planned Fixed Expenditure	-12,238	-10,598	-11,683	-12,560	-12,894	-34,599
Disabled Adaptations	0	0	0	0	0	-2,074
New Build Expenditure	-14,243	-6,698	-7,130	-5,307	-3,993	-5,302
Total Capital Expenditure	-36,823	-26,897	-29,430	-28,031	-27,293	-54,245
FUNDING:						
Major Repairs Reserve	13,082	14,581	6,247	9,251	8,062	21,960
Right to Buy Receipts	7,006	3,143	749	728	748	895
HRA CFR Borrowing	0	0	0	0	0	0
Other Receipts/Grants	250	258	265	0	0	0
Revenue Contributions	16,485	8,916	22,170	18,052	18,484	31,389
Total Capital Funding	36,823	26,897	29,430	28,031	27,293	54,245

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.