



**Dacorum Borough Council
Housing Revenue Account
Business Plan 2015/16**

People: Property: Place



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1. Overview

This is Dacorum Borough Council's annual 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 enables a long term view of investment. 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 previous financial constraints, however, there had been limited investment in other areas such as Estate Improvements or External Decorations. This has, to an extent been addressed over the past few years with significant increases in investment in these areas.

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 had 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 three 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.

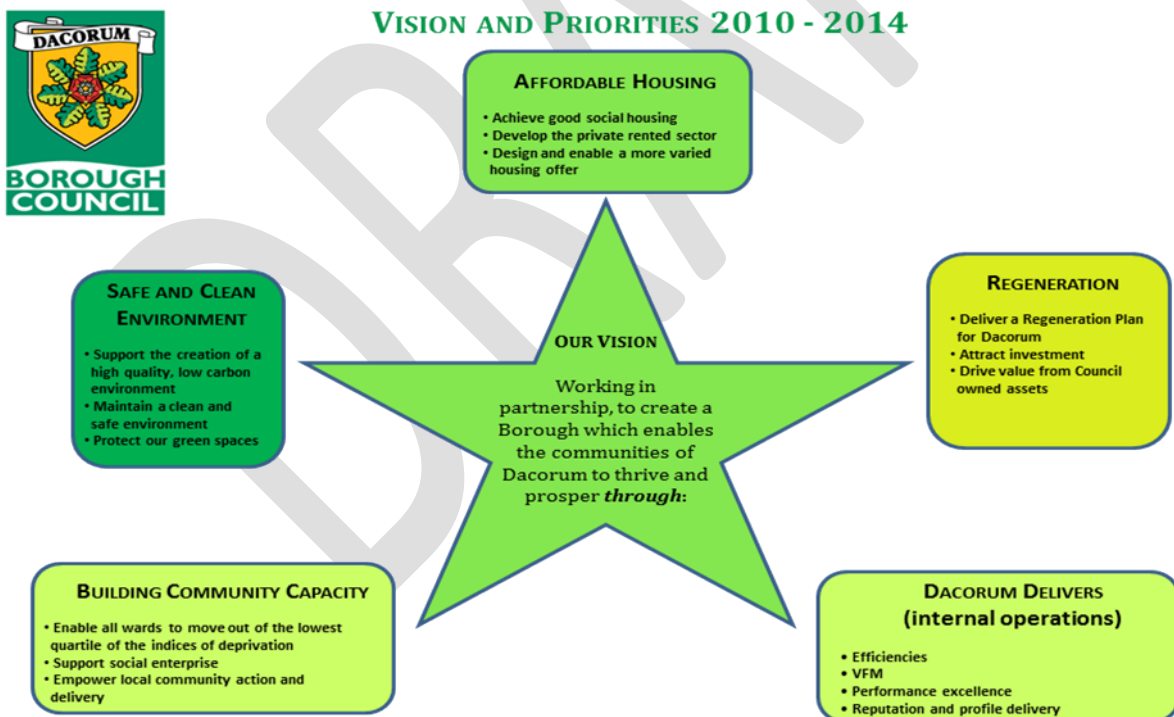
Improvement Works	2012/2013	2013/2014	2014/2015
Kitchen Renewal	456	721	433
Bathroom Renewal	426	529	327
Re-Wire	605	784	411
New Doors (front/rear)	1935	3480	2568

Note: 2014/15 capital works programme was a 9 month programme due to the Osborne Total Asset Management Contract starting July 1st 2014 (and the 2013/14 programme used 15 months worth of funding). The previous capital works programmed ceased March 2014.

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. Following local elections in May 2015 these priorities have been confirmed.

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: [\(link\)](#)

- 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 Government Legislation along with 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.

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 March 16.

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, Osborne Property Services 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, increasing the number of homes recorded as non-decent to 9.4% at the year end 2014.

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 incorporates both the responsive repairs and the planned programmes of work into a single contract, delivered by one service provider, Osborne Property Services.

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. The Council has participated in the Chartered Institute of Housing's Redefining Asset Management Project, which involved working with 16 peer organisations to establish the criteria that the housing asset should be assessed against. The Council are currently developing the priorities, against which, the assets will be assessed and are in consultation with tenants to establish their priorities and preferences in terms of what makes one property more desirable than another.

The information will be used to tailor an asset options tool, which will enable the Council to establish those properties that have the highest Net Present Value and also those which have a range of other factors that make them desirable and fit for purpose.

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. Until the development programme was commenced last year there had 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 two years 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 2014/15 104 homes have been purchased through right to buy.

The Council are continuing to construct new homes throughout Dacorum and in addition to the 70 completed a further 36 units are new homes due to be released by March 2016.

The Council are constantly looking for ways to invest and improve our existing stock and recently a number of large scale refurbishment projects have been delivered including the Estate Improvement project at Summer Court, involving the installation of a biomass boiler and external wall insulation and the Seaton Road Project, which was nominated for a National Housing Maintenance Forum award.

The Council are currently delivering a combined refurbishment project and roof top development on a block of flats in Longlands, Hemel Hempstead. The project will create 6 new homes on the roof and the block is being refurbished to include new windows, balconies, external wall insulation and estate improvements. This approach is beneficial for the existing residents by improving the thermal performance of the building, improved aesthetics, increasing parking provision and new windows, whilst providing new homes on roof that was nearing the end of its life.

The Council has 29 Cat 2 sheltered housing schemes, which present slightly differing maintenance liabilities due the communal facilities and mechanical and electrical installations, 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 type in the table below.

Traditional built homes are brick and block construction, with either a cavity between the brickwork or solid brick walls

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 60% of properties that were surveyed by Savills has provided stock condition data that is Stored in the asset management database, Pimss. Additionally the Council is able to continually refine its baseline condition data by updating Pimss with completed works programmes and for gas servicing and other cyclical maintenance contracts. The level of data collected has improved with the Total Asset Management Contract, as whole house surveys are undertaken during routine site inspections and when the properties are void, which is used to 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. The gas servicing and installations have been combined into a single contract and the level of investment in boiler renewals increased. The Service Provider, Sun Realm, is responsible for determining which boilers are identified for renewal and this approach has resulted in a reduction in the number of boilers that breakdown and are beyond repair (CAT 1).

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, such as remodelling, 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 confirmed that work was required to the majority of these structures, which will require permanent supports. The project to install these supports commenced in the financial year 2015-16 and is scheduled to complete in the first quarter of 2016-17.

The Climate Change Agenda

The Government has removed the codes for sustainable development but there is still a focus upon developing new homes to be more energy efficient and for the heating costs for properties that are on communal heating systems to be individually billed.

. 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. A district biomass heating system and Solar Panels were installed as part of the Summer Court Refurbishment project and these measures combined with the external wall insulation that was applied to the blocks have resulted in fuel savings for 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. By April 2015, all workers/self employed doing notifiable non-licensed work with asbestos must be under health surveillance by a Doctor. 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 Regulatory Reform Fire Safety Order in 2005, the findings from the, Lakanal House fire and specific advice from a fire safety consultant, intrusive type 4 FRA's will be 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 flats, as it has either not been in place from build or has been compromised in various ways over time. . 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 2014-15 the percentage of planned work was 70% planned and 30% responsive. A similar level of investment is programmed for 2015-16 In the second year of the TAM contract there has been a slight reduction in the number of responsive repairs undertaken and as more data is available to Osborne they will be able to assist in developing future

investment programmes designed to target investment in a drive to further reduce 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 with external wall insulation, 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, condensing boiler installations, ceilings, redecoration of communal areas.
- Better Use of Stock e.g. conversion of bedsits to one bedroom, self-contained accommodation, rooftop developments and 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 £30M in the year 2015/16 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 Government Policy

It is expected that over the life of the Business Plan it is not only local and internal factors that will impact on both deliverability and viability. There will inevitably be changes in Government direction and priorities that will require consideration and in some cases review of the Business Plan.

Following recent announcements by the Government there are a number of such policies that need consideration by the Council.

Social Rent Policy

The proposal is that all social rents will be reduced by 1% each year for a period of 4 years starting April 2016. Due to the fact that current policy allows for an increase in social rents of CPI plus 1% each year, the change will have a significant impact on all social landlords.

In Dacorum the impact is approximately £33million over the 4 years with an overall impact of over £700M over the 30 year duration of the Business Plan.

'Pay to Stay'

This policy is due to come into effect in April 2017. It is proposed that tenants earning over £30,000 out of London and £40,000 in London would be expected to pay between 80% and 100% of market rent with the excess being paid to the Government not the Local Authority. This policy is currently subject to Consultation to which the Council will respond but there is likely to be an impact on both administration costs and levels of Right to Buy.

Sale of High Value Council Homes

There are various drivers behind this policy, the main ones being:

- To ensure that councils "manage their stock more efficiently".
- To generate receipts to fund the discounts payable to housing association tenants when the Right to Buy is extended.

This will not be a local system. Receipts will be collected centrally and then flow out again.

There are two options currently under consideration:

- Actual sale of high value homes or
- A formula approach.

A formula approach would effectively be a tax on voids anticipated throughout the year. An amount would be calculated and paid annually to government based upon a formula that included property values, number of bedrooms, churn rate etc.

The detail of all three policies is expected within the October 2015 Housing Bill, followed by any secondary legislation required.

The challenge for the Council is to try and mitigate for the impact of any changes whilst continuing to deliver on its priorities.

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.

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.

The Council completed the first three sites in the New Build Programme in June 2015. These sites included Farm Place (26 social rented units) and St Peters Court (9 social rented units).

The second phase of development is underway. The Council is currently on-site at Aspen Court, London Road; the scheme will deliver 36 social rented units. The Council has received planning permission to deliver 5 units at Queen Street, Tring and 14 units at Able House, Hemel Hempstead. Construction works will start on these sites shortly. The Council own four further sites that are in the early planning and design stages and are estimate to deliver 187 new homes for market sale, shared ownership and social rent.

The Council committed significant funding to deliver this new build programme, the first for over 30 years in the Borough. The sites secured in the New Build programme will see a total of 324 new homes delivered by 2020.

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.

The Council has seen a gradual increase in costs associated with development over the past two years. This has been mainly due to materials and labour costs. New assumptions regarding costs have been used when profiling costs of schemes in the Business Plan.

Two sites acquired by the Council for development of new Council homes are considered suitable for a mix of tenures and also offer an opportunity to inject resources back into the Business Plan from both private sale and shared ownership. The cost associated with this and income likely to be generated has again been assumed within the Business Plan.

The Council publishes its first Development Strategy, 'Building for the Future' in 2013. ([link](#))

The table below shows the future schemes in the New Build Programme and the predicted timescales to deliver these schemes.

Scheme	Scheme details	Start date	Practical completion date
Aspen Court, Apsley	36 social rented units.	January 2015	April 2016
Queen Street, Tring	5 social rented units.	October 2015	July 2016
Longlands Hemel Hempstead	6 social rented (roof top development on existing block)	November 14	December 15
Able House, Old Town Hemel Hempstead	14 social rented units.	March 2016	March 2017
Wood House – Hemel Hempstead	75 units consisting of 41 social rented and 34 shared ownership units.	October 2016	March 2018
Stationers Place, Apsley	31 social rented units.	September 2016	October 2017
Martindale school, Hemel Hempstead	Around 70 units consisting of 35 social rented and 35 market sale units.	July 2018	December 2019
Swing Gate Lane, Berkhamsted	11 social rented units.	May 2016	April 2017

The current assumption is that the development of Council homes would cease after 2019/20 to due financial restrictions. This situation will be subject to annual review.

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 2015/16. 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. See appendix a.

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 July 2015, the Government announced a new four year national rent reduction policy, to be applied from 2016/17.

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. Those at target rent are uplifted by CPI + 1%.

The Government announcement means all tenants, whether at target rent or not, will receive a 1% reduction to rents each year for four years.

- 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 2014/15 was £2.846m.

The HRA also held reserves of £24.764m for capital improvements to existing stock, and for the new build programme. These reserves will be depleted within the first seven years of the business plan.

An additional reserve of £1m has been set aside to allow for any additional risks associated with further changes to Government Policy, or for the impact of future decisions taken at the Council.

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 three of its maturity loans, to the GF, of £2.6m. A total loan balance of £351.4m 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.

Due to the impact of the Governments rent reduction policy, additional borrowing of £9.8m will be taken out over the first five years of the business plan to ensure the completion of the new build programme.

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. The scheme was completed in July 2015 and as well as dramatically improved appearance and communal areas tenants and leaseholders are benefiting from lower energy bills and warmer homes.

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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	The Business Plan assumes an annual reduction to rents of 1% for four years. After this, the plan assumes uplift on rents of CPI + 1% to all rents.
RPI	3%, as per average historic RPI (since 2001).
CPI	2.3%, as per average historic CPI (since 2001).
New Build Programme	Years 1-5: 263 homes
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.
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 £500 per unit.
Right to Buy	The model reflects the Government's proposed policies within Reinvigorating RTB through: <ul style="list-style-type: none"> 1) inclusion of 80 RTB sales in year 2, 2) Inclusion of '1-4-1' receipts of £5m for 2015/16 ('1-4-1' receipt is additional RTB receipt income permissible on the premise that it is used for new build and is match-funded).

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	<p>Impact difficult to assess and mitigate for due to unknown demand. This is subject to close monitoring following changes in legislation during 2012/13 initially, and then further proposed policy changes such as Pay to Stay</p> <p>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. This however is proving unachievable in the medium term to facilitate due to proportion of receipt and timescales for use.</p>
Welfare Reform	<p>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 tenants 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.</p>
Government revisits the settlement	<p>The Business Plan commits available resources throughout the 30 year period which could influence any impact on the Council of any Government Intervention favourably.</p>
Rent Policy	<p>The proposed Government Rent Policy of reducing rents by 1% a year for a period of four years is reflected within the Business Plan. What is not known is the detail of any further changes after this period.</p>
Sale of High Value Council Homes	<p>This policy has not yet been fully announced so the financial impact is not known. The most likely result is the sale of stock through some mechanism and the ongoing rental income not being available.</p>

Appendix d – Housing Revenue Account 2015/16 – 2019/20 & 28/30 year totals

Year £'000	2015.16 1	2016.17 2	2017.18 3	2018.19 4	2019.20 5	2044.45 30
INCOME:						
Dwelling Rents	56,410	55,785	54,998	54,686	54,381	113,278
Void Losses	(562)	(837)	(825)	(820)	(816)	(1,699)
Service Charges	780	803	828	852	878	1,838
Non-Dwelling Rents	80	82	85	87	90	189
Contributions to Expenditure	555	571	588	606	624	1,307
Total Income	57,262	56,405	55,674	55,411	55,157	114,912
EXPENDITURE:						
Supervision & Management	(11,598)	(12,031)	(12,406)	(13,096)	(13,356)	(28,013)
Special Management	0	0	0	0	0	0
Rents, Rates & Taxes	(14)	(14)	(15)	(15)	(16)	(33)
Rent Rebates	0	0	0	0	0	0
Bad Debt Provision	(217)	(1,116)	(1,100)	(1,093)	(1,087)	(2,265)
Responsive & Cyclical Repairs	(10,262)	(10,653)	(10,676)	(11,039)	(11,374)	(23,475)
Total Revenue Expenditure	(22,090)	(23,814)	(24,196)	(25,244)	(25,833)	(53,786)
OTHER:						
Interest Paid	(11,658)	(11,643)	(11,663)	(11,839)	(11,938)	(391)
Finance Administration	0	0	0	0	0	0
Interest and Investment Income	142	240	317	339	359	425
Depreciation	(9,224)	(9,506)	(9,755)	(10,138)	(10,452)	(20,696)
Net Operating Income	14,432	11,682	10,376	8,529	7,292	40,464
APPROPRIATIONS:						
FRS 17 /Other HRA Reserve Adj	0	(11,000)	3,500	750	6,595	0
Revenue Contribution to Capital	(14,729)	0	(14,363)	(9,312)	(13,934)	(31,784)
Total Appropriations	(14,729)	(11,000)	(10,863)	(8,562)	(7,339)	(31,784)
ANNUAL CASHFLOW	(297)	682	(487)	(33)	(48)	8,680
Opening Balance	2,846	2,549	3,231	2,745	2,712	10,331
Closing Balance	2,549	3,231	2,745	2,712	2,665	19,011
Capital Reserves	23,667	20,656	14,295	13,545	6,950	1,000

The above extract from the Business Plan Model shows the next 5 years of the HRA revenue projections, together with 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 2015/16 – 2019/20 & 30 year totals

£'000	1	2	3	4	5	30
EXPENDITURE:						
Planned Variable Expenditure	(10,596)	(9,045)	(8,517)	(8,954)	(8,321)	(9,069)
Planned Fixed Expenditure	(10,596)	(9,289)	(10,006)	(10,723)	(8,987)	(42,180)
Disabled Adaptations	0	0	0	0	(1,015)	(2,126)
New Build Expenditure	(10,176)	(10,143)	(11,505)	(6,527)	(5,258)	0
Total Capital Expenditure	(31,368)	(28,477)	(30,027)	(26,204)	(23,580)	(53,375)
FUNDING:						
Major Repairs Reserve	8,442	20,307	12,049	8,069	6,867	20,696
Right to Buy Receipts	7,947	8,170	635	(3,197)	(3,633)	894
HRA CFR Borrowing	0	0	2,981	6,283	503	0
Other Receipts/Grants	250	0	0	5,737	5,909	0
Revenue Contributions	14,729	0	14,363	9,312	13,934	31,784
Total Capital Funding	31,368	28,477	30,027	26,204	23,580	53,375

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.