



# *People: Property: Place*

Dacorum Borough Council Housing Revenue Account

Business Plan

2016 - 2020





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# 1.0 Introduction

## 1.0 Introduction

Dacorum Borough Council Housing Service is the landlord for approximately 10,200 council homes across the borough 2000 of which are sheltered housing for older people. We also own the freehold for approximately 1700 leasehold flats.

Since 2013 the Council has delivered an active development programme aiming to deliver 300 new homes including a homeless hostel. To date we have completed over 100 of these new homes and The Elms, a 44 bedroom hostel in Hemel Hempstead

Housing is a vital part of the Council's long-term vision for the borough. The recently reviewed Corporate Plan identifies 'Affordable Housing' as a key priority and commits to '*providing good quality affordable homes, particularly to those most in need*'.

The Localism Act 2011 introduced new powers for councils to keep their rental income and generate growth capital to fund investment in their housing stock. This is called 'self-financing'. This enabled us to develop a long term business plan for the Housing Revenue Account (HRA) allowing for more financial certainty, additional resources and a more robust foundation for housing in Dacorum.

In spite of self-financing, like many other services, social housing has been required to adapt to a continually evolving economic landscape. Changes brought in by Central Government such as new policy continue to impact and on the services we deliver and challenge us to maximise the resources we have available to meet growing need.

Four years on, this is our-update of the HRA business plan.

Analyses of our stock and the services we provide have enabled us to create an element of flexibility and overcome some of the challenges that we outline. This plan identifies how the Council will utilise the HRA and continue to deliver a great housing service, this includes;

- What it costs and how we think finances will develop in the future
- Showing our plans are laid on firm foundations and sustainable
- What additional resources we might have for investment
- What our priorities are for investment and tenants views
- Key risks in the delivery of this business plan with actions to mitigate these



## 2.0 Overview

## 2.0 Overview

The HRA business plan has been updated to include the latest vision, priorities and financial position of Dacorum's Housing Service. A key change is the incorporation of our latest asset management strategy outlining the investment we intend to make to our properties over the next five years.

With assistance from the Chartered Institute of Housing (CIH) we have prepared a model that demonstrates the Council has a sound financial long term plan for its Housing Revenue Account.

This updated business plan starts at 2016/17 and runs over the next 30 years. It incorporates the latest budgetary forecasts but excludes any provision for unknown factors from forthcoming Government policy changes such as Sale of High Value Homes. Once details of these changes are released we can assess the impact to the HRA. This plan is written for Elected Members, tenants and staff involved in the governance or the management of our housing service and it demonstrates;

- the sustainability of our existing homes;
- how viable our current investment plans are in the long-term;
- the finances available for investment in new homes and investment in our existing stock and service;
- the role of the housing service in the Council's overall vision and priorities.

At the time of updating this business plan we are aware of a number of challenges already impacting the housing service and Dacorum residents. We know the introduction of the Welfare Reform Act 2012 is likely to affect the majority of our tenants. Additionally the Housing and Planning Act 2016 and Homelessness Reduction Bill will continue to increase the number of people at risk of homelessness presenting to the Council. Also the number of vulnerable people with high support needs due to rising demands on Adult Social Care will see more tenants with complex needs who are not eligible for support living in social housing. Investment in our Tenancy Sustainment team and approach to preventing and tackling homelessness will be essential to overcoming these challenges.

An emphasis on homeownership from Central Government such as reinvigorating the 'right to buy' initiative adds further pressures to meeting new build targets.



## 3.0 Delivering for Dacorum

### 3.0 Delivering for Dacorum

Around three quarters of our homes are in Dacorum's largest town, Hemel Hempstead, with the remainder spread across the other Hertfordshire towns of Berkhamsted and Tring as well as the surrounding villages.

Dacorum has a population of 149,700. Twenty percent of the population are under 16 and we have significantly less 16 – 24 year olds than the national average. The largest age group totalling 80,500 are aged 25-64; we also have higher than England averages for people aged 85+. On the whole we know that Dacorum is an affluent borough.

We have significantly better than England average levels for income deprivation, child poverty and older people living in deprivation. However analysis of indices of multiple deprivation scores indicates our homes generally exist in the small concentrated pockets of deprivation that exist in Dacorum. This means the challenges facing our tenants are sometimes masked. It is important for us as a Housing Service to work with our tenants to understand their needs, priorities and how best to support them.

Housing plays a key role in delivering the Councils vision of *"working in partnership to create a borough which enables the communities of Dacorum to thrive and prosper."*

Through tenant engagement and homelessness prevention we contribute to clean, safe and enjoyable environments that build strong and vibrant communities. Provision of affordable housing, helping people into work and creating employment opportunities through our contracts with external partners mean we can ensure economic growth and prosperity. Our annual investment of over £20 million into existing homes and assets and our new build ensures we are providing good quality affordable homes in particular for those most in need. Finally, we are using channel shift and innovative ways of working so we can deliver a more efficient and modern service that benefits our tenants.

To date the housing service has delivered efficiency savings of £300,000 through its new repairs and maintenance contract. This has enabled us to deliver more services based on emerging needs of tenants such as the introduction of the Tenancy Sustainment Team. Other examples include the installation of an energy efficient biomass boiler and six new homes as part of a rooftop development project.



## 4.0 Our Housing Service

### 4.1 Our Housing Strategy

The Housing Service consists of a number of different teams. This first is the Housing landlord function which is responsible for the day to day management and maintenance of our homes, other assets and tenancies. Another is Strategic Housing which includes responsibilities such as fulfilling our homelessness statutory duties and influencing other housing providers such as the private rented sector and housing associations. Finally we have the development of new homes.

Our purpose is to ensure we can meet peoples housing need within Dacorum whether this is through a more secure and stable private rented sector or provision of social housing.

Whilst the HRA is solely used for the delivery of our landlord duties, we want the housing service to be seen as a single entity with clear and shared vision and objectives. This will help us to provide a seamless service for Dacorum residents.

Working with staff, tenants and leaseholders we came up with the following vision for the Housing Service.

*'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.'*

To support our shared vision our Housing Strategy for 2013 to 2018 also includes the following key strategic objectives:

- To plan and deliver a good supply and mix of housing
- To improve the quality of housing in Dacorum
- To monitor need effectively
- To maximize 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 provider option



## 4.2 Our Tenant Involvement Strategy

Dacorum Borough Council has a long history of working closely with its tenants and leaseholders to make informed decisions. Our previous Tenant Involvement strategy expired in 2015 presenting an opportunity to re-refresh the direction and structure for delivering modern and flexible tenant involvement.

Our vision for the new 'Get Involved' strategy 2016 – 2020 is *'for our tenants to feel listened to, empowered to influence decisions and to have the opportunity to challenge us.'*

The ability to influence is what matters most to our tenant population. Over the four years of this strategy, we will capture the impact each of our involved tenants had in transforming the housing service. The strategy is underpinned by four commitments these are;

- Commitment one: All Dacorum tenants and leaseholders have the opportunity to 'Get involved'
- Commitment two: Dacorum Borough Council works in partnership to ensure the housing service is shaped by the needs of our tenants
- Commitment three: Young people within Dacorum's tenant population have a voice and a positive influence in their local communities
- Commitment four: Dacorum Borough Council's housing service is accountable to our tenants and leaseholders

The structure for delivering these four commitments includes three levels of involvement;

- 'Our Tenants' – creates conversations and building relationships between us and tenants
- 'Service Shapers' – uses a variety of engagement activities to build up a picture of our tenants needs.
- 'Official Involvement' – brings together tenant and leaseholder representatives with local professionals, Elected Members, and staff to regulate, scrutinize and challenge the housing service

We will work with our tenants to identify more efficient ways of working and maximise the resources available. Through tenant involvement we can continue to provide well managed, affordable homes for those in need and ensure the wellbeing of our tenants.



# 5.0 Governance and Delivery

## 5.0 Governance and Delivery

The HRA business plan is a living document which articulates the short, medium and long-term strategies for the management, maintenance, improvement and addition to the Council’s housing stock.

Going forward the HRA business plan will be reviewed by officers from both housing and finance and approved by the Council’s Cabinet on an annual basis

Once approved it is the responsibility of the officers in the Housing Service and Finance Department to monitor and deliver the plan.

To ensure transparency the Tenant and Leaseholder Committee, the top level committee in the ‘*Get Involved*’ Strategy will receive quarterly strategic updates on the financial position of the Housing Service against its target. This will also be presented to elected members on the Council’s Housing and Communities Overview and Scrutiny Committee.

Each year we will use the annual report to publish our top line figures from the HRA business plan. This will help to keep our tenants informed and offer information around value for money. The annual report is also our opportunity to pull together satisfaction information collected throughout the year and publish our annual goals for the service based on what our tenants feel is important. These are shown through our annual ‘promises’. This is discussed further in section 7.

This business plan is supported by a financial model that uses the latest budgetary information to outline the expenditure required for all the key services and priorities of the Housing landlord functions. It does not include the Strategic Housing, which is financed by the Council’s General Fund.

Any fundamental changes or circumstances that will see expenditure increase above those provided, or income fall below expectations then the plan will be revisited with support from the stakeholders listed. Swift action allows us to remedy any shortfalls and assess the medium and longer-term impact to the plan. This flexibility is particularly important as it allows us to consider and react to the numerous changes previously mentioned.



## 6.0 Homes for the Future

### 6.1 Our Asset Management Strategy

This year we produced our Asset Management strategy called 'Homes for the Future' Covering 2016 - 2020 it commits to having the right homes that meet the required standards and that we work with our tenants, leaseholders and contractors to provide good quality homes for the future. It recognises our homes are the Council's most valuable asset.

This strategy outlines the Councils approach to managing demand and supply and the sustainability and condition of our stock whilst delivering a financially robust service that offers value for money. It acknowledges changes in the external national and economic environment and how the Council will continue to respond proactively.

The development of the strategy involved a range of stakeholders, including tenant led focus groups, intelligence gathered by our Total Asset Management (TAM) partner, Osborne Property Services and feedback from the STAR survey. This resulted in our strategy being centred on the following four commitments:

- **Commitment One:** Our housing assets meet the current and future needs of our tenants
- **Commitment Two:** Our tenants live in homes that are safe and maintained to the agreed standard
- **Commitment Three:** Through investments and improvements our assets generate income and support the housing service (HRA) business plan
- **Commitment Four:** We get the best value from our assets and develop homes for the future

In 2014 we entered into a long term partnership with Osborne Property Services Ltd for the delivery of repairs, maintenance and planned works. The partnership approaches these areas of work with a Total Asset Management approach (TAM).

This and other contracts such as Gas Servicing and Mechanical and Electrical work have been designed to encourage our contractors to provide a high quality service and value for money. The contracts are monitored monthly and an annual review undertaken to ensure they are delivering to the promises that they made at tender stage.

By achieving effective asset management, the Council can continue to support it tenants, improve their quality of life and deliver a sustainable service for the future.



## 6.0 Continued

## 6.2 Our Stock Investment Requirement and Financing

The table below shows the projected Capital spend requirements for our housing stock to both improve and maintain it over the next 30 years. All new homes that have been completed, are underway or approved as part of the Council's new build programme to develop 300 new homes have been accounted for. We have also included a budget for a further 100 homes where sites have not yet been identified to be delivered in future years.

Year	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2023-28	2028-33	2033-38	2038-43
£'000	1	2	3	4	5	6	7	8	9	10	11-15	16-20	21-25	26-30
<b>EXPENDITURE:</b>														
Planned Variable Expenditure	-4,584	-4,466	-4,707	-4,348	-3,948	-4,047	-4,467	-4,450	-4,666	-4,796	-26,029	-30,725	-36,656	-48,089
Planned Fixed Expenditure	-13,751	-13,596	-14,473	-13,507	-12,359	-12,712	-14,062	-14,035	-14,749	-15,190	-81,906	-93,054	-107,875	-143,178
New Build Expenditure	-4,317	-22,869	-19,953	-11,872	-6,472	0	0	0	0	0	0	0	0	0
<b>Total Capital Expenditure</b>	<b>-22,651</b>	<b>-40,931</b>	<b>-39,133</b>	<b>-29,727</b>	<b>-22,779</b>	<b>-16,759</b>	<b>-18,529</b>	<b>-18,485</b>	<b>-19,415</b>	<b>-19,987</b>	<b>-107,934</b>	<b>-123,778</b>	<b>-144,531</b>	<b>-191,267</b>
<b>FUNDING:</b>														
Major Repairs Reserve	17,554	17,710	9,311	8,048	7,366	8,821	11,275	10,689	10,027	9,293	40,813	13,761	-71,262	426
Right to Buy Receipts	3,814	3,950	3,968	3,968	3,968	1,967	767	767	766	766	3,825	3,830	3,896	4,070
HRA CFR Borrowing	0	0	0	0	0	0	0	0	481	1,042	6,175	23,103	96,092	31,899
Other Receipts/Grants	0	0	4,425	11,000	0	0	0	0	0	0	0	0	0	0
HRA Reserves	1,283	6,427	4,397	2,492	1,725	0	0	0	0	0	0	0	0	0
Revenue Contributions	0	12,843	17,032	4,219	9,721	5,971	6,487	7,029	8,140	8,885	57,123	83,084	115,805	154,872
<b>Total Capital Funding</b>	<b>22,651</b>	<b>40,931</b>	<b>39,133</b>	<b>29,727</b>	<b>22,779</b>	<b>16,759</b>	<b>18,529</b>	<b>18,485</b>	<b>19,415</b>	<b>19,987</b>	<b>107,934</b>	<b>123,778</b>	<b>144,531</b>	<b>191,267</b>

All of the expenditure assumptions detailed in the table include the impact of inflation and how this will affect the cost of improvements and maintenance of our stock. The funding for capital expenditure is raised through our rents and sales of properties. An integral accounting adjustment for depreciation results in a charge to the HRA that is then credited to a major repairs reserve, which in turn funds capital works.

A formula used nationally dictates how much we should credit the major repairs reserve. If there is a shortfall in funding capital works we are able to top this up with revenue contributions from the HRA.

Right to Buy receipts help fund both capital works and new build expenditure, in particular '1-4-1' receipts which we go on to discuss in more detail in sections 8 and 9.

Other capital receipts and grants received by the HRA are a result of shared ownership properties and properties purposefully built to sell on the open market. This allows us to subsidise the cost of building new affordable homes.

In the later stages of the plan we detail required borrowing for the HRA account. This is further explained in section 8.

Overall this table shows the HRA can afford to meet our capital investment, maintenance and current new build targets.

## 7.0 Our Priorities

### 7.0 Our Priorities

This year we conducted the Survey of Tenants and Residents (STAR). STAR is a satisfaction survey that helps landlords to identify and evidence how well they are meeting the needs of tenants and leaseholders and engaging them in the work that they do. It allows us to measure satisfaction with our services and to benchmark our results against other housing providers. The purpose is to gain an understanding of the levels of satisfaction Dacorum Borough Council tenants and leaseholders have with their homes and associated services provided to them. It also gives us an insight into our tenants' priorities for the service.

Over 10% of our tenant and leaseholder population were consulted and the results showed we are delivering a good quality service to our tenants and leaseholders. We found 95% of our general needs tenants, 92% of our supported housing tenants and 90% of leaseholders are satisfied with the service they receive.

Key action points arising from the survey are that we need to work in partnership with our TAM partner, Osborne Property Services Ltd to improve satisfaction. The expenditures dedicated to repairs within this plan will offer certainty to our tenants and leaseholders that improving and maintaining our stock continues to be a main priority for the Housing Service.

Another recommendation is to improve tenants' and leaseholders' perceptions of feeling listened to.

Our new approach and structure for delivering Tenant Involvement and investment in communications will achieve this.

Tenants and leaseholders top three priorities identified through STAR were as follows:

1. Develop new homes to meet local housing need
2. Increase the replacement programme (e.g. kitchens, bathroom and doors)
3. Improve the estates and neighbourhoods

As mentioned the Council has committed to building 300 new homes by 2020. We have also incorporated further opportunities within this business plan to commit to an additional 100 homes. There is always an appetite to deliver more homes. With a growing demand for housing and the need for it to be affordable we will where possible seek to extend our development programme above the expenditure detailed within this plan. It is however essential that we consider additional factors such as funds for improving estates and neighbourhoods.

Our aim for this plan is to identify any capacity within the finances detailed so we can to deliver against the risks and challenges we face. Housing Revenue Account Business Plan 11 | Page



# 8.0 The HRA

## 8.1 The HRA Forecasts

In section 6.2 we have shown that we can meet our core investment needs as per the asset management strategy and deliver over 300 additional affordable homes.

This section reviews the HRA and the day to day income and expenditure forecasts. See appendix one for the details behind the HRA and Capital forecasts including assumptions made.

Year	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2023-28	2028-33	2033-38	2038-43
£'000	1	2	3	4	5	6	7	8	9	10	11-15	16-20	21-25	26-30
<b>INCOME:</b>														
Rental Income	55,821	55,177	54,561	53,812	55,399	57,224	58,996	60,815	62,691	64,624	354,263	412,309	479,812	558,309
Void Losses	-448	-442	-440	-435	-449	-466	-480	-495	-510	-526	-2,883	-3,355	-3,904	-4,542
Service Charges	865	891	917	945	973	1,002	1,032	1,063	1,095	1,128	6,170	7,152	8,291	9,612
Non-Dwelling Income	80	82	85	87	90	93	96	98	101	104	571	662	767	889
Grants & Other Income	529	543	557	572	588	604	621	638	655	673	3,656	4,195	4,820	5,545
<b>Total Income</b>	<b>56,846</b>	<b>56,250</b>	<b>55,681</b>	<b>54,982</b>	<b>56,601</b>	<b>58,457</b>	<b>60,264</b>	<b>62,120</b>	<b>64,033</b>	<b>66,004</b>	<b>361,777</b>	<b>420,962</b>	<b>489,787</b>	<b>569,813</b>
<b>EXPENDITURE:</b>														
General & Special Management	-12,031	-12,675	-13,140	-13,613	-14,074	-14,544	-15,013	-15,463	-15,927	-16,405	-89,708	-103,996	-120,560	-139,762
Other Management	-14	-14	-15	-15	-16	-16	-17	-17	-18	-18	-100	-116	-134	-156
Bad Debt Provision	-249	-1,099	-1,084	-1,067	-1,099	-860	-886	-914	-942	-659	-3,611	-4,202	-4,889	-5,689
Responsive & Cyclical Repairs	-10,722	-11,912	-12,277	-12,597	-12,957	-13,361	-13,781	-14,259	-14,688	-15,150	-82,686	-95,385	-110,033	-126,926
<b>Total Revenue Expenditure</b>	<b>-23,016</b>	<b>-25,700</b>	<b>-26,515</b>	<b>-27,293</b>	<b>-28,147</b>	<b>-28,780</b>	<b>-29,697</b>	<b>-30,653</b>	<b>-31,575</b>	<b>-32,231</b>	<b>-176,104</b>	<b>-203,699</b>	<b>-235,616</b>	<b>-272,532</b>
Interest Paid	-11,643	-11,603	-11,594	-11,558	-11,486	-11,385	-11,302	-11,266	-11,209	-11,134	-53,790	-48,340	-39,699	-27,191
Finance Administration	0	0	0	0	0	0	0	0	0	0	-2	-8	-34	-11
Interest Received	135	217	192	154	113	68	71	75	76	75	406	461	536	799
Depreciation	-9,485	-11,025	-11,380	-11,634	-11,956	-12,301	-12,645	-12,998	-13,362	-13,735	-74,653	-85,677	-98,319	-112,813
<b>Net Operating Income</b>	<b>12,837</b>	<b>8,139</b>	<b>6,384</b>	<b>4,652</b>	<b>5,125</b>	<b>6,059</b>	<b>6,692</b>	<b>7,278</b>	<b>7,964</b>	<b>8,978</b>	<b>57,633</b>	<b>83,700</b>	<b>116,656</b>	<b>158,064</b>
<b>APPROPRIATIONS:</b>														
Revenue New Build Reserve	-13,005	6,000	9,349	2,201	1,985	0	0	0	0	0	0	0	0	0
Revenue Contribution to Capital	0	-12,843	-17,032	-4,219	-9,721	-5,971	-6,487	-7,029	-8,140	-8,885	-57,123	-83,084	-115,805	-154,872
<b>Total Appropriations</b>	<b>-13,005</b>	<b>-6,843</b>	<b>-7,683</b>	<b>-2,018</b>	<b>-7,736</b>	<b>-5,971</b>	<b>-6,487</b>	<b>-7,029</b>	<b>-8,140</b>	<b>-8,885</b>	<b>-57,123</b>	<b>-83,084</b>	<b>-115,805</b>	<b>-154,872</b>
<b>ANNUAL CASHFLOW</b>	<b>-168</b>	<b>1,296</b>	<b>-1,299</b>	<b>2,634</b>	<b>-2,611</b>	<b>88</b>	<b>204</b>	<b>248</b>	<b>-176</b>	<b>93</b>	<b>511</b>	<b>616</b>	<b>851</b>	<b>3,192</b>
Opening Balance	2,893	2,725	4,021	2,721	5,355	2,744	2,832	3,037	3,285	3,108	3,201	3,712	4,328	5,179
Closing Balance	2,725	4,021	2,721	5,355	2,744	2,832	3,037	3,285	3,108	3,201	3,712	4,328	5,179	8,370

This table indicates the HRA can remain balanced throughout the 30 years projected.

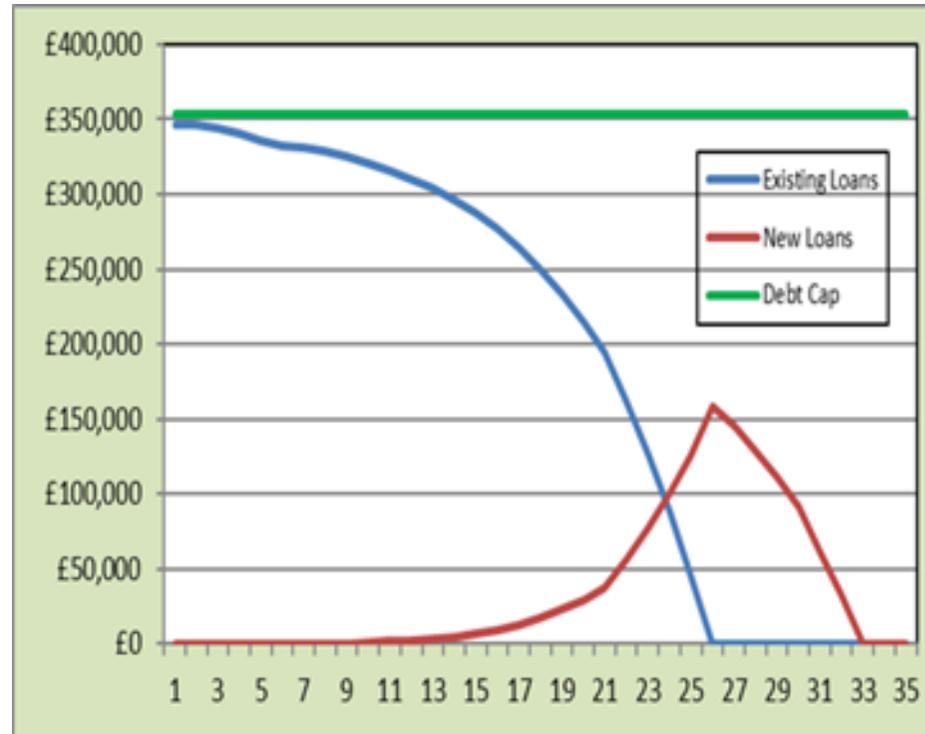
This balance allows us to meet; the cost of day to day management and repairs for our housing stock; manage interest charges; the depreciation charge that funds capital works through the major repairs reserve; and top up the funding for capital works through revenue contributions. A minimum balance has been set within this financial model to ensure the HRA does not go below an agreed figure.

## 8.0 Continued

### 8.2 The Treasury Management Strategy

As part of the national self-financing settlement the HRA took on debt of £354million in place of making an annual subsidy contribution. This in effect made HRA business plans easier to produce as it enables us to project our finances and understand what resources we had available.

As a self-financing local authority we do however need to consider imposed borrowing cap limiting the amount of debt that can be supported from the HRA.



This graph shows our projected borrowing position. It highlights our capital expenditure needs against the required HRA balance.

The blue line shows the balances for the original loan taken out when transition to self-financing transaction. This will be fully repaid by year 26. In line with the capital funding requirements in section 6.2, new borrowing is required to fully finance the capital programme in the later years. This is shown using the red line. New borrowing is a result of changes to rent policy causing a reduction in previously anticipated levels of income, an increase in numbers of right to buys and the need to match fund 70% of the new build programme to avoid losing receipts. The green line depicts our agreed debt caps.

In summary the HRA will remain balanced, fully funded and become debt free in 33 years.

## 8.0 Continued

### 8.3 HRA Resources Available

Whilst the HRA has a minimum balance set for unforeseen short-term impacts such as high responsive repairs expenditure, we cannot assume that there are additional resources available to meet all the priorities outlined in section 7.

The only additional resources available to the HRA are through borrowing headroom. This currently stands at £7.2million and rises to approximately £18million by the end of year 5 due to the repayment of loans. If borrowing is undertaken, then the level of headroom will be diminished slightly as the cost of interest needs to be taken into account.

In summary whilst the HRA has borrowing capacity to fund tenant's priorities, it is essential we understand the potential impact associated with each of the priorities listed before committing resources.

The annual update for this business plan will allow us to effectively monitor and make such decisions.



# 9.0 Risks and Challenges

## 9.0 The Risks and Challenges

We have identified four key areas that could have significant impact to the financial projections detailed in section 8.

### The Sale of High Value Council Homes (Housing and Planning Act 2016)

To introduce Right to Buy to Housing Associations, the Housing and Planning Act 2016 stated stock holding Local Authorities would be required to sell their high value properties. Sales would be returned to the Treasury who would then allocate funding to Housing Associations to cover the discount offered through Right to Buy. This was originally set to come into action for 2017 but has since been postponed by Central Government who anticipate it will now be an expectation from 2018. Further guidance is yet to be released detailing the expectations for each Local Authority and how the process would operate. If introduced we will need to sell high value void properties reducing our rental income and therefore projections outlined in the HRA.

### Future Rent Policy

Currently the rents within the plan are set to decrease by 1% per year for the next 3 years. We have anticipated the impact of the 1% rent reduction and offset some of the income loss through the depooling of rents and service charges set to be introduced in 2017. Rents after this period will then increase by the consumer price index plus 1%, as per the previous policy. Any further decisions from Central Government to continue reducing rents will have a detrimental impact to the levels of income included within this plan. This has the potential to be further impacted by changes brought in by the Welfare Reform.

### Cost Inflation

Following the result of the Brexit referendum, interest rates have lowered but the threat of inflation increase. Our heavy reliance on external suppliers for our repairs and maintenance service means there's is potentially a significant increase in the cost of materials. This would affect both our ability to maintain our current homes as set out by the Asset Management strategy and our ability to deliver our New Builds. This means our current available resources within the plan would become increasingly limited.

### Right to Buys

An increase in uptake for Right to Buy would see a reduction in our income. Each sale results in a '1-4-1' receipt which we have to spend on providing new affordable homes within a 3-year timeframe. With the development costs of 70% falling to us and the remaining 30% from these receipts we are under additional pressure to either build new homes in a shorter timescale, absorb our portion of the cost to do so or return these receipts to Central Government.



# Appendix One

## Financial Assumptions

The 30-year business plan has been based on the projected out-turn position for 2016/17 and the proposed budget for 2017/18. The capital expenditure has been derived from the housing asset management database and current new build programme. In order to project forward the remaining 28 years certain assumptions have to be made in order to provide for the projections, these are:

Item	Assumption
Rent Increases	Years 2-4 -1%, then CPI (2.3%) + 1% (3.3% total) throughout plan. New tenancies re-let at (social) formula rent. De-pooling of Service Charges & Rent for flats to be implemented 2017/2018
RPI	3% throughout – applies to service charges, other income, management costs, repairs and maintenance costs
Minimum HRA Balance	5% of turnover
Major Repairs Reserve Balance	Nil – to be fully utilised each year to fund capital works and new build
New Build Programme	250 units planned with provision for expenditure for 100 more. Let at existing (social) formula rent levels
Voids and Bad Debts	Voids: 0.8% of gross income Bad Debts: 0.4% rising to 2% then reducing to 1% with the increases making a provision for the impact of Welfare Reform
Right to Buy	Assumption of 100 per year for 4 years then reducing to 50 the 20 . The self-financing settlement assumed an average of 20 per year. The HRA benefits from all retained right to buy receipts. However, if right to buy levels maintain at 100 per year and the new build programme is not expanded beyond the provisions made in this plan then '1-4-1' receipts will have to be paid to the Government. This is because the receipts will not have not been spent in the time frame allowed on providing new affordable homes. An option would be to look at purchasing properties on the open market (if affordable), or gifting the receipts to local Registered Providers instead.
Interest Rates	On existing borrowing the loan interest rates are fixed with levels between 1.24% and 3.5% depending on the duration. New borrowing which is assumed later in the plan and more short-term has been modelled at 4%.