



**South Cambridgeshire District Council
Housing Revenue Account
30 year Business Plan 2012 – 2042**

(Appendix C3)

To Cabinet and Council February 2012

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Appendices C3

- (1) Summary of key Affordable Homes strategies
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- (3) Summary of key asset management assumptions
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- (5) 30 year summary HRA Business Plan table

1. Executive Summary

- 1.1 The Housing Revenue Account (HRA) Subsidy System is to be replaced by a new regime of self financing from April 2012. Through the Localism Act 2011, the Government is ceasing negative subsidy and asking the council for a one-off payment of £205.1M. In return for taking on this debt the Council is now able to keep its rental income in full.
- 1.2 The modelling work undertaken demonstrates that the baseline HRA Business Plan is viable for 30 years. Sensitivity testing on a range of key variables also shows that the Business Plan remains viable for 30 years.
- 1.3 The self financing settlement will allow for increased capital resources for the housing capital investment programme. Over the first five years of the baseline Business Plan this is around £26M extra compared to that available at 2011/12 levels.
- 1.4 Having addressed the core property maintenance needs, the tenant aspirations and the need for stock replacement the Business Plan shows a range of investment surpluses depending on interest rate, inflation and Right to Buy (RTB) assumptions. The baseline model shows this investment surplus as totalling around £28M by year 10.
- 1.5 The investment surplus will enable the Council to deliver a new build programme of several hundred homes within the life of the business plan and therefore contribute towards a key strategic objective. There is some investment surplus anticipated from year 1 so there is flexibility as to the timing of this new housing delivery programme although the main scope for delivery will be after year 5.
- 1.6 The HRA Business Plan shows a debt repayment profile based on 41 tranches of Public Works Loans Board (PWLB) debt with maturities every 6 months from March 2037 to March 2057 (years 26 to 45). Repayment could be brought forward however if circumstances required it and having a mix of loans in this way aids this flexibility.
- 1.7 There is no borrowing headroom for the Council in the first 25 years of the Business Plan. The modelling shown here has therefore assumed the use of investment surpluses to fund activities rather than extra borrowing.
- 1.8 An interest rate of 3.5% has been used in the baseline Business Plan but interest rates in January 2012 are at levels below this (around 3.3%). The Business Plan model will be re-run during 2012 to reflect the actual interest rate achieved from the PWLB.

2. Introduction

- 2.1 The Housing Revenue Account (HRA) Subsidy System is to be replaced by a new regime of self financing from April 2012. Through the Localism Act 2011, the Government is ceasing negative subsidy and asking the council for a one-off payment of £205.1M.
- 2.2 In return for taking on this debt the Council is now able to keep its rental income in full. This self financing approach requires a more detailed consideration of a number of options including asset management and service delivery standards as well as debt profiling. This business plan sets out these options for the Council, the underpinning assumptions, and summarises the financial profile generated by this work. The Council has been assisted in this task by Consult CIH.
- 2.3 This 30 year business plan has been developed in relation to a number of existing Council strategies, which are cross referenced in the text. A full list of these strategies and a short description is attached as **Appendix C3 (1)**.

3. Vision / Mission

- 3.1 The Council's overall vision as stated in its Aims and Objectives is,
- “To make South Cambridgeshire a safe and healthy place where residents are proud to live and where there will be opportunities for employment, enterprise and world-leading innovation. We will be a listening Council, providing a voice for rural life and first-class services accessible to all.”
- 3.2 The Council's housing strategy identifies the mission for Affordable Homes,
- “To provide access to decent affordable housing.”
- 3.3 This is to be achieved by providing an excellent housing service to meet the needs and reflect the aspirations of South Cambridgeshire residents, working in partnership with tenants and other organisations at a local and national level to enhance quality of life and make South Cambridgeshire a place where everyone is proud to live and work.
- 3.4 The Council recognises that strategic use of its housing stock can play an important role in helping to achieve the Council's broader objectives. The improved financial settlement of the self financing reforms for the HRA are therefore important particularly in relation to:
- Investing in the long term sustainability of homes and village communities
 - The ability to add to the affordable housing stock in villages
 - The ability to play a more direct role in key regeneration schemes of the sort being completed at the Windmill estate in Fulbourn
 - Resourcing the Warm Homes Strategy and other housing and health related projects.
- 3.5 Table One below sets out some of the key linkages between the work of Affordable Homes and the wider Council service areas.

Table One – Affordable Homes contribution to wider Council services

Council services	Affordable Homes contribution
Strategic Partnerships	<p>Affordable Homes represent Council on a number of key partnership bodies which include:</p> <ul style="list-style-type: none"> • The Cambridge Sub Regional Housing Board – this oversees the development of key strategic thinking and manages cross partner projects related to housing such as the Strategic Housing Market Assessment • Homelink – the sub regional management board which oversees the management of the Choice Based Lettings scheme • Supporting People – the County led partnership board which oversees the Counties’ spending on housing related support • Local Health Partnership – the representative body for South Cambridgeshire feeding into the Health and Well Being Board • County Homelessness Group - which shares good practice and helps coordinate approaches to homelessness in Cambridgeshire • Cambridgeshire Affordable Rural Housing Partnership – which helps to coordinate the delivery of new affordable housing in rural areas bringing together a range of partners
Value for Money (VFM) and Efficiency	<p>Affordable Homes has led on the development of a VFM approach for the Council and is actively pursuing a VFM strategy in partnership with Housemark, the national benchmarking body for housing.</p>
Public Health, Private Sector Housing	<p>Affordable Homes leads on the overall housing strategy work that ensures that private sector housing issues are identified and addressed e.g. Empty Homes Strategy and the extension of the Warm Homes Strategy.</p> <p>The work of the supported housing team and particularly the development of assistive technology are becoming increasingly important in addressing health concerns in the</p>

	<p>wider population.</p> <p>Affordable Homes has helped set up the new Home Improvement Agency. This is a shared service with Cambridge City Council and Huntingdonshire District Council, which provides grants that fund disabled adaptations in people's homes (owner occupiers, private rented and housing association).</p>
Northstowe and New communities	<p>Affordable housing is critical to the development of the growth sites including Northstowe, Affordable Homes has significant partnership links with Housing Associations and the Homes and Communities Agency to help steer the development of services. In addition the HRA self funding settlement will allow the Council to consider a more direct contribution to the development of new affordable housing on these sites.</p>
Economic Development	<p>The Council is the biggest landlord in the District and with a turnover of over £20M per annum for Affordable Homes is a significant contributor to the local economy. The HRA settlement will allow consideration of increased investment opportunities in coming years.</p> <p>Initiatives such as the Warm Homes Strategy can act as a catalyst to other economic development activity.</p> <p>The provision of affordable homes is a critical part of the economic development strategy for the Local Economic Partnership (LEP) and through the Sub Regional Housing Board the Council is contributing to these developments.</p>
Community Safety	<p>Affordable Homes has obligations as a landlord to address anti social behaviour (ASB) in the District. This resource enables Affordable Homes to make a direct contribution and to work in partnership with other Council officers involved with community safety.</p>
Climate Change	<p>The Council's Warm Homes Strategy seeks to address climate change issues within the Council owned stock as well as addressing fuel poverty. This Strategy is the basis for a wider strategy that will address issues within the private housing sector too. Affordable Homes also works with housing association partners to promote the development and installation of climate friendly technologies in all housing.</p>

- 3.6 The Council's Housing Strategy 2012/13 – 2016/17, provides a fuller analysis of the role that housing plays in the achievement of wider council objectives and is renewed every 5 years. The Housing Service Plan 2012/13 – 2014/15 details the service improvements required to meet the Council's objectives and to respond to changes in the external operating environment. The Service plan is refreshed annually.

4. Governance and Risk Management

Governance

- 4.1 Currently the key decisions are taken by the Housing Portfolio Holder. Some decisions are reserved for the Cabinet and some for full Council e.g. budget setting. Full Council are required to agree the HRA Business Plan which now supersedes the requirement for Council to authorise year on year the HRA Five Year housing Maintenance Plan.
- 4.2 As a council landlord the requirements of the housing regulator, the Homes and Communities Agency, do not cover governance or financial controls. The HRA ring fence is to remain, however, so housing will become in effect a stand alone self financing service with a turnover of around £25M per annum and a debt of over £205M. It will be prudent therefore for the Council to have regard to this aspect of the new regulatory framework.
- 4.3 Whilst the debt is that of the Council's and not just Affordable Homes, this is much larger than that of many housing associations. The Council is therefore intending to review the governance requirements for housing once the self-financing regime has been established. The Affordable Homes Service Plan 2012/13 –2014/15 sets out the timetable for this review.

Risk management

- 4.4 The Service Plan is the document where the operational risks are reviewed. There is also an Affordable Homes risk register, which seeks to control the key risks facing the service and this is refreshed quarterly. The Executive Management Team also reviews the service risk register twice per year and notable risks are also escalated to the corporate risk register.
- 4.5 There are some new risks generated by the advent of the self financing arrangements and these are captured in the risk register at **Appendix C3 (2)**. This reflects the new risks in relation to asset management, Right to Buy sales, proposed changes to welfare benefits and development related risks once a new build programme commences.
- 4.6 There is an existing corporate risk management process, which is subject to scrutiny by internal audit on a regular basis. This is a sophisticated model, which provides for a high level of confidence in the Council's ability to manage the risk associated with self-financing.
- 4.7 Nevertheless the fresh challenges posed by self-financing require the development of new expertise across a wider range of members and tenants. This will therefore form part of the governance review noted in 4.3 above.

5. Tenant Empowerment and Scrutiny

- 5.1 There is an elected tenants body, The Tenant Participation Group (TPG) which represents the interest of both tenants and leaseholders. There are also other forums such as the disability forum and the sheltered housing forums that capture a wider range of views. The Council is also rolling out the Resident Involvement Strategy, which is putting in place with the TPG a range of channels by which tenants can make their voices heard and contribute to service developments. These include for example the E-Say group, tenants who have volunteered to offer comments on draft documents by way of an email exchange.
- 5.2 All of these channels have been used in setting the priorities for the HRA Business Plan. Specific events have included workshops facilitated by Consult CIH and a survey of all tenants. Future reviews of the business plan will also include wide tenant consultation.
- 5.3 The Service Plan developments for 2012/13 include the establishment of new tenant scrutiny mechanisms as well as consideration of the role of tenants in governance. The Resident Involvement Strategy itself will be refreshed in 2012 to take account of these changes. This will include setting out the results of the tenant profiling exercise being carried out in the early part of 2012.

6. Service Standards and value for Money

- 6.1 Affordable Homes played a critical role in helping the Council to achieve the Customer Service Excellence Standard in 2011. This work continues in particular shaped by the Your Service project and the aspirations of the tenants as measured in the Local Offers as set out in the Annual Report to Tenants 2011.
- 6.2 The Local Offers for 2012 include:
- Reviewing maintenance standards
 - Improving energy efficiency and addressing fuel poverty
 - Reviewing the lettings standard
 - Improving value for money
- 6.3 Service standards are measured through a comprehensive set of performance indicators that are fed in to the Council's CORVU system. These are monitored monthly by service managers. The standards have been agreed with both front line staff and the TPG. The most recent surveys of tenants have indicated that their priorities for increased spending are repairs, warm homes, disabled adaptations and anti social behaviour. These have all therefore been given an increased budget allowance in the baseline Business Plan.
- 6.4 A set of key indicators identified by the TPG (Performance at a Glance) are reported quarterly to the TPG and the Portfolio Holder. During 2011/12 the service has been performing very well with most indicators showing 'green'.
- 6.5 In addition to performance monitoring via CORVU the service is also subject to a rolling programme of internal audit inspections which have been used in recent years to target areas of suspected weakness as well as to affirm continued strong performance in other service areas. As part of the resident engagement work there will be an increased role

for tenants to become involved in service performance scrutiny and in setting service standards.

6.6 There is already a separate Value for Money strategy for Affordable Homes and this is linked to wider council efficiency measures including, service sharing initiatives and back office links to other services in the council. In recent years the Council has been able to deliver an improved service (and on some key indices a top quartile service) with a very lean resources base. Whilst the Business Plan allows for an increase in resources it is the Council's intention to continue to measure value for money and to seek operating efficiencies within the new regime. The Value for Money Strategy will therefore be refreshed in 2013.

7. Asset Management

7.1 The Council achieved the Decent Homes Standard by December 2010 and has an Asset Management Strategy in place for 2011/12 – 2013/14. This will be reviewed during 2013 once the self financing regime is underway. The Council also has a Five Year Housing Maintenance Plan which provides the operational detail of the asset management spending plans for a five year period and which is refreshed annually.

7.2 A stock condition survey has been carried out in 2011 and the Council now has up to date information on 98% of its council homes. This data is captured in the Keystone database. The asset management team is being strengthened during 2012 and further analysis of the stock condition data will take place during the first year of the Business Plan. This work will form the basis of revisions to the Business Plan in subsequent years.

7.3 In particular the Asset Management team will focus on:

- Monitoring refurbishment programmes and standards
- Work required to address the green agenda
- Any regeneration or redevelopment programmes
- New build/acquisition (and/or disposal if appropriate).

7.4 The key areas for Decent Homes Standard expenditure over the next 30 years based on information taken from the Asset Management system are set out below.

	Catch up repairs	Total (30 years)
	000s	000s
Bathrooms	2,162	22,875
Chimneys	39	1,090
Communal Areas (flats)	1	3
Doors	72	5,345
Electrical	238	15,672
Externals Works	1,035	12,801
Garage Blocks	96	576
Heating & Water	4,206	50,337

Kitchens	2,811	38,370
Miscellaneous	581	4,084
NHER	268	988
Outbuildings	43	1,314
Roofs	429	21,446
Safety & Security	273	2,318
Stores	140	1,822
Walls	1,883	7,317
Windows	222	19,452
Total	14,499	205,813

7.5 Whilst the profile of spending required for the next 30 years is set out in the Business Plan, the Five Year Housing Maintenance Plan sets out the detailed spending priorities with particular focus on the spending planned in the forthcoming 12 months. This ensures that emerging priorities can be addressed effectively.

7.6 The immediate priorities for the next five years are:

- Continuation of the programme of replacement kitchens and bathrooms
- Continuation of the programme of re-roofing
- Improvements in the thermal properties of the stock by the installation of insulation measures such as external insulation and loft insulation.
- Improvements in heating systems to ensure reliability and reductions in running costs where possible. This will include moves to sustainable heating systems such as air source heat pumps, particularly in areas off the gas grid.
- Implementation of a programme of electrical testing and upgrading.
- Completion of asbestos surveys and implementation of a programme of re-inspection, including development of the asbestos register.
- Survey and replacement of windows which may be reaching the end of their lives.

7.7 The Council is also implementing a programme of garage improvement and rationalisation (agreed by the Portfolio Holder 18/2/11) in order to maximise rental return and improve garage blocks. This will include disposal of unsustainable blocks where this would be the best solution.

7.8 Additional tenant priorities include disabled adaptations and improvements to environmental works. Both have therefore been given an increased budget within the Business Plan.

7.9 A detailed set of underpinning assumptions used in the asset management analysis are listed in **Appendix C3 (3)**.

8. Options and priorities

- 8.1 In setting the Business Plan, priority has been given to ensuring that the Council can maintain as a minimum the Decent Home Standard for all its dwellings. In addition tenant led priorities have been addressed, notably disabled adaptations and fuel poverty measures. Extra staffing resources (agreed by the Portfolio Holder January 2012) have also been factored in where these are needed for asset management, the delivery of the increased capital programme and in relation to changes in the regulatory framework e.g. increased tenant led scrutiny.
- 8.2 The Council is obliged to set aside a portion of its HRA revenue income to fund a minimum level of capital expenditure on housing maintenance. This is known as the Major Repairs Allowance (MRA). The MRA is in effect a proxy for depreciation until new guidelines are issued by the Department for Communities and Local Government (CLG). The MRA for the Council is running at £3.3M for 2011/12 and will rise to £5.5M in 2012/13 as part of the self financing settlement. The bulk of the increased capital spending is therefore contained within this regulatory requirement. The Council however has identified a further £1.6M in 2012/13 rising to £4M in year 5 to meet the asset management needs of the stock and address tenant priorities.
- 8.3 Using the latest stock condition survey data, a property-by-property stock profiling project has begun. This will identify which houses should be considered for replacement. The initial analysis indicates that around 220 homes will need to be replaced within the first 10 years of the Business Plan. These are properties where the cost of maintaining them is typically higher than the income they will generate. They are also properties, which typically provide a lower quality of life for the residents. This expenditure therefore forms part of the baseline Business Plan.
- 8.4 Taken together the increased capital resources available for housing capital investment programme within the first five years of the Business Plan is around £26M extra compared to that available at 2011/12 levels.
- 8.5 Having addressed the baseline needs, the tenant aspirations and the need for stock replacement the Business Plan shows a range of investment surpluses depending on interest rate, inflation and Right to Buy (RTB) assumptions.
- 8.6 The baseline model shows this investment surplus as totalling around £28M by year 10. If 'worst case' assumptions about higher inflation costs, reduced rent collection rate and increased RTB sales are factored in, the baseline Business Plan remains viable, however, the surplus is considerably reduced and even after 10 years would only total around £3M.
- 8.7 The potential for using this investment surplus to start a new build programme is to be separately modelled by GVA during 2012. If the capital is available then the Council would be able to consider investment in new build as a way of contributing to the development of hundreds of new affordable homes at a time when the development funds available to housing associations are being reduced. This is an important strategic objective for the Council as identified in the 2012 – 2017 Housing Strategy.

8.8 There is some investment surplus anticipated from year 1 so there is flexibility as to the timing of this new housing delivery programme although the main scope for delivery will be after year 5.

9. Financial strategy and planning

Development and discussion of key policies

- 9.1 The Council considered a number of options for securing the funding for the payment to the CLG. Eventually the reduced interest rate deal offered as a special one off opportunity by the Public Works Loans Board (PWLB) has provided the most advantageous option for the Council.
- 9.2 The HRA Business Plan shows a debt repayment profile based on 41 tranches of PWLB debt with maturities every 6 months from March 2037 to March 2057 (years 26 to 45). Having a number of smaller debt tranches allows flexibility for early part repayment if this is required.
- 9.3 An alternative repayment approach has also been modelled involving the repayment of debt from year 1 with all of the debt cleared by 2031 (year 20):
- 19 tranches of PWLB debt growing from £5m to £20m
 - Maturities from 1 to 19 years
 - Average interest charge 2.5% increasing to 3.0%
- 9.4 This approach is not financially viable without significant reductions in the baseline Business Plan expenditure.
- 9.5 This approach would also place the Council at greater risk of operational variables (such as those identified in the sensitivity testing) and would not allow any contribution to be made to the strategic goal of building more affordable homes. In addition, It would leave the Council with around £20m of surplus in the following year with no clear strategy to use this money.
- 9.6 An interest rate of 3.5% has been used in the baseline Business Plan but interest rates in January 2012 are at levels below this (around 3.3%). The Business Plan model will be re-run during 2012 to reflect the actual interest rate achieved from the PWLB.
- 9.7 Depreciation will be applied to the HRA assets in line with the CIPFA guidance currently being developed in partnership with the CLG. In the first year of the Business Plan the Major Repairs Allowance (MRA) proxy has been applied in line with CLG guidance.
- 9.8 Minimum reserves will continue to be held at £2m but a new self insurance reserve has been added to the Business Plan and this will be held at £1M from the end of year 1, giving a total reserve of £3M.

- 9.9 The use of RTB receipts will be dependant upon guidance from the CLG which informs part of a consultation during February 2011. The Business Plan assumes that the debt associated with each property will be paid from any RTB receipts generated.
- 9.10 The Council will continue to set rents in line with CLG guidance. These are currently, based on the formula Retail Price Index (RPI) + 0.5% +£2pw until convergence. New Council tenants already commence the tenancy at the full social housing rent and for these properties the rent increase is RPI + 0.5%.
- 9.11 There is no borrowing headroom for the Council in the first 25 years of the Business Plan. The modelling shown here has therefore assumed the use of investment surpluses to fund activities rather than extra borrowing.
- 9.12 Investment surpluses will be directed toward a new build programme on the following conditions:
- Individual projects will be approved on a business case only
 - For approval projects will need to demonstrate the ability to beat a 5% rate of return (equivalent to long term average refinancing rate)
 - There has been no shift in Government policy requiring the repayment of debt
 - Opportunities for early debt repayment to generate discounts have been considered.
- 9.13 **Appendix C3 (4)** sets out a full list of financial assumptions used to develop the Business Plan.
- 9.14 **Appendix C3(5)** shows the detailed Business Plan breakdown of the first 30 years based on assumed borrowing at 3.5% and debt repayment as detailed in 9.2 above. This is the baseline financial plan for the HRA.

Sensitivity Testing

- 9.15 The Council has decided to fund its debt on fixed rate deals covering the 30 year period of this plan. No sensitivity testing for interest rate variations has therefore been modelled.
- 9.16 An initial restructuring of Affordable Homes already approved by the Housing Portfolio Holder (18/1/12) has been allowed for in year 1. Thereafter, variations in operational costs have not been given a sensitivity test as these are assumed within the Business Plan to rise only by the rate of inflation (2.5%) over the 30 year period. This is in line with the Council's Medium Term Financial Strategy.
- 9.17 A potential difference in build cost inflation compared to average inflation has been modelled. If a build cost inflation of 5% compared to an average (and therefore rent) inflation of 2.5% were to occur the Business Plan would still be viable but the investment surplus would be reduced.

- 9.18 Rental collection rates are currently very high at around 98%. It is anticipated that changes to welfare benefits may lead to a drop in this level of collection so a sensitivity modelling showing a reduced collection rate of 96% has been run. This shows that the Business Plan would still be viable.
- 9.19 Changes to RTB policy may lead to an upsurge in RTB completions. An increase in overall RTB has been included with the baseline Business Plan (from 3 sales to 10 sales per year). Based on the increased level of discount and the current tenant profile it is assumed that any surge in RTB sales will not be more than an extra 30 properties per year for an 8 year period. This 'worst case' scenario has therefore been modelled and shows that the Business Plan is still viable but there is a reduction in the investment surplus available.
- 9.20 If the differential inflation scenario is run alongside the 'worst case' scenario for loss of RTB properties, the Business Plan would still be viable but most of the investment surplus would be lost.

Summary of key Affordable Homes Strategies

Strategy	Time period	Description
Housing Strategy	2012/13 to 2016/17	Overarching strategy linking the role of Affordable Homes with the broader Council objectives including partnership work with housing associations, affordable homes programmes, private sector housing matters.
Five Year Housing Maintenance Plan	2012/13 to 2016/17	Detailed spending priorities for next 12 months and indicative details for following four years.
Residents Involvement Strategy	2010/11 to 2012/13	Sets out series of projects and actions to increase the ways in which tenants can engage with the housing service.
Asset Management Strategy	2011/12 to 2015/16	Identifies the key requirements to maintain the Council's housing stock to at least Decent Homes Standard.
Warm Homes Strategy	2011/12 to 2015/16	Series of actions to ensure that investment is prioritised to reduce fuel poverty increase thermal efficiency and tenant comfort and reduce carbon emissions. Linked to EU funding project.
Housing Service Plan	2012/13 to 2014/15	Analysis of operating environment including changes to Government policy. Identifies service improvement projects needed including those projects needed to deliver on specific Council actions.
Affordable Homes value for Money Strategy	2011/12 to 2013/14	Sets out the way in which the housing service can improve the way in data can be captured and analysed to ensure good value for money is being achieved and monitored.

Risk Log

Appendix C3 (2)

HRA Business Plan Risk Register January 2012



South
Cambridgeshire
District Council

Ref.	Title and Description of risk The risk event, <i>leading to</i> consequence for service/ Aim(s)/ Action(s), <i>resulting in</i> possible outcome(s).	3 A's	Control measures/ Sources of assurance in place	Risk score		Direction of travel	Risk owner / Review frequency	Additional control measures/ sources of assurance	Additional cost resources required	Adjusted risk score (where relevant)		Timeline to progress
				Impact	Likelihood					Impact	Likelihood	
BP7	Government Policy Changes Government decides to reopen the debt settlement, <i>leading to</i> increased debt requirement, <i>resulting in</i> reduced housing programme.		Monitor Government policy including utilising our partnership arrangements with the Chartered Institute of Housing. Capacity has been built into the business plan to absorb some future changes if they are required.	Impact Likelihood Total	4 3 12	new	Corporate Manager / half yearly			Impact Likelihood Total		
BP8	Housing Regulatory Changes New regulatory requirement placed on housing service, <i>leading to</i> increase in costs of delivering the service, <i>resulting in</i> reductions in other aspects of the service or difficulty in balancing the budget.		Monitor Government policy including utilising our partnership arrangements with the Chartered Institute of Housing. Capacity has been built into the business plan to absorb some future changes if they are required.	Impact Likelihood Total	3 3 9	new	Corporate Manager / half yearly			Impact Likelihood Total		
BP10	New Build Large new build programme will commit significant amount of capital expenditure which may take resources away from other priority areas, <i>leading to</i> difficulty in balancing the budget, <i>resulting in</i> drop in service quality.		Business plan has identified capital that can be made available for new build without compromising other priorities. New resources have been allowed for to manage this programme.	Impact Likelihood Total	3 3 9	new	Corporate Manager / monthly	Consultancy advice is being sought which will enable to the Council to prepare for a new build delivery programme.	£14K	Impact Likelihood Total	3 2 6	
BP11	Build cost inflation Build and repairs cost inflation will outstrip overall inflation used to increase rents, <i>leading to</i> difficulty in balancing the budget, <i>resulting in</i> reduction in service quality.		A sensitivity test has already been undertaken in setting the business plan. Monthly finance meetings will monitor performance.	Impact Likelihood Total	3 3 9	new	Corporate Manager / monthly	Procurement techniques can be used to control and reduce costs if needed.		Impact Likelihood Total	2 2 4	

BP2	Stock condition data Data held or analysis is flawed, leading to unexpected high level of expenditure, resulting in unbalanced budget or the need to make service cuts.		Good quality stock condition data at as starting point. High quality database in use. Extra resources made available to asset management team	Impact Likelihood Total	4 2 8	new	Housing Asset Manager / Daily work on database, annual review of spend profile, 5 yearly stock condition update.			Impact Likelihood Total		
BP6	RTB Sales RTB sales outstrip that anticipated in the business plan, leading to significant loss of rental income, resulting in need to cut level of service provided.		Data collected to monitor RTB uptake. Statutory obligation so sales cannot be held back.	Impact Likelihood Total	4 2 8	new	Corporate Manager / half yearly	New build programme can be used to offset loss of units.	Up to £300M available over 30 years	Impact Likelihood Total	3 1 4	
BP9	Rent Setting Government policy changes which keeps rent increases lower than anticipated, leading to difficulty in balancing the budget, resulting in reductions in service.		Monitor Government policy including utilising our partnership arrangements with the Chartered Institute of Housing. Capacity has been built into the business plan to absorb some future changes if they are required.	Impact Likelihood Total	4 2 8	new	Corporate Manager / half yearly			Impact Likelihood Total		
BP1	Rent Collection Council unable to collect percentage of rent required to run service, leading to difficulty in balancing budget, resulting in cuts to service levels.		Well practiced rent collection methods and increased resources to both rent and housing management teams. Regular reviews of key PIs.	Impact Likelihood Total	3 2 6	new	Housing operational Services Manager / Monthly			Impact Likelihood Total		

BP3	Capital programme costs Overspend on capital programme , leading to difficulty in balancing budget, resulting in need to make service cuts.		Well established procedures in place and good track record on keeping within budget. Extra project management resources added to team.	Impact Likelihood Total	3 2 6	new	Housing Planned Maintenance Manager / Monthly			Impact Likelihood Total		
BP5	Capital project management Key projects are not delivered in full, leading to deterioration of properties, resulting in increased costs to put things right.		Well established procedures in place and good track record on keeping within budget. Extra project management resources added to team.	Impact Likelihood Total	3 2 6	new	Housing Planned Maintenance Manager / Monthly			Impact Likelihood Total		
BP4	Staff costs Costs of housing service increase beyond that planned for, leading to difficulty in balancing budget, resulting in need to reduce service quality.		Extra staffing resources required built into budget form outset. Recruitment of extra staff controlled through well established corporate processes.	Impact Likelihood Total	3 1 3	new	Corporate Manager / Monthly			Impact Likelihood Total		

3 A's (Aims, Approaches, Actions)

Use this column to cross reference risks to:

- (a) the relevant Aims, Approaches and/or Actions adopted by Council on 27 November 2008 with effect from 1 April 2009 (e.g. A v, or E ii 2, etc); and
(b) the twelve Council Actions for 2010/11 approved by Council on 26 November 2009; and
(c) the 17 Corporate Actions for 2011/12 approved by Council on 24 February 2011.

Impact

- 5 Extreme
4 High
3 Medium
2 Low
1 Insignificant

Likelihood

- 5 Almost certain
4 Likely
3 Possible
2 Unlikely
1 Rare

Direction of Travel

- ↓ Priority reduced from last review (give the previous Total score in the brackets)
→ Priority equal to last review
↑ Priority increased from last review (give the previous Total score in the brackets)
new Risk included in the risk register for the first time

- Notes:
1. The "Ref." is a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
 2. Criteria and guidelines for assessing Impact and Likelihood are available on In-Site.
 3. The "Total" risk score is obtained by multiplying the Impact score by the Likelihood score.
 4. The "Adjusted risk score" would result from re-evaluation of the Impact and Likelihood, taking the additional control measures into account.
 5. The dotted line (- - - - -) shows the Council's risk tolerance line.
 6. The "Timeline to progress" is the date (usually Month Year) by which it is planned that the risk will be mitigated to below the line.

Summary of Asset Management Assumptions

The Council's asset management database system is Keystone.

- Property changes over the plan – the Keystone Asset Management forecasts do not assume a reduction in property numbers over the lifetime of the plan.
- Management costs are not included within the Keystone system.
- Inflation is not included in the forecast taken from the Keystone system. This is added in the business plan assumptions.
- Repairs costs and lifecycles are shown in the table below. These are based on a mix of industry standards and local knowledge.
- These elemental costs for each of the 5,500 properties are modelled over 30 years to generate the core maintenance costs used in the Business Plan.

Repair	Measure	Lifecycle	Cost
Add Wash Hand Basin to WC	Property	50	£150
Carry out cyclical repairs & painting	Property	7	£250
Carry out EPC Survey	Property	10	£67
Carry out External Works	Property	30	£5,000
Carry out full electrical test	Property	10	£65
Carry out full refurbishment	Property	30	£30,000
EH122 Fit 2nd Thermostat	No.	30	£30
EH124 Renew Flex to Immersion	No.	30	£15
EH126 Renew Switch to Immersion	No.	30	£20
HI202 Lay 100mm Insulation	Square Metre	90	£5
HI204 Lay 150mm Insulation	Square Metre	90	£7
HI206 Lay 200mm Insulation	Square Metre	90	£10
Install Cavity Wall Insulation	Property	50	£350
Install Entry Phone	Property	15	£500
Install Ext Fan	Property	10	£200
Install External Cladding	Property	50	£10,000
Install Extract Fan to Bathroom	No.	10	£200
Install Extract Fan to Kitchen	No.	10	£200
Install Full Central Heating	Property	15	£4,300
Install Internal Cladding	Property	50	£1,000
Install Mains Wired Smoke Detectors	Property	15	£350
Install/Renew Ext Lighting	Property	30	£150
PC112 Renew Cylinder Jacket	No.	30	£15
PH182 Insulate 15mm Pipework	Linear Metre	30	£6
PT106 Insulate Tank	No.	30	£15
PT108 Insulate Header Tank	No.	30	£10
PT123 Renew Tank Stand	No.	30	£50
Renew Aluminium Ext Ent Doors 01	No.	30	£500
Renew Aluminium Ext Ent Doors 2	No.	30	£500
Renew Aluminium Rainwater Goods	Linear Metre	40	£30
Renew Asphalt Balcony Finish	Square Metre	20	£70
Renew Asphalt Ext Store Roof	Square Metre	20	£40

Renew Asphalt Flat Roof	Square Metre	20	£65
Renew Asphalt Porch	Square Metre	20	£70
Renew Bath/Basin with OB Shower	Property	30	£3,800
Renew Bath/Basin/Sep WC with Basin PB	Property	30	£3,500
Renew Bath/Basin/WC PB	Property	30	£3,500
Renew Bath/Basin/WC SB	Property	40	£2,000
Renew Bath/Basin/WC with OB Shower	Property	30	£3,800
Renew Bin Store Doors	No.	30	£120
Renew Block Boundary Walls	Square Metre	50	£60
Renew Block Ext Store Walls	Square Metre	50	£35
Renew Brick Bin Store Walls	Square Metre	50	£80
Renew Brick Boundary Walls	Square Metre	50	£90
Renew Brick Chimney	No.	50	£500
Renew Brick Ext Store Walls	Square Metre	50	£70
Renew Brick Outbuildings Walls	Square Metre	50	£75
Renew Brick Paths	Square Metre	25	£30
Renew Carpet Stairs Finish	Square Metre	10	£30
Renew Carpet Walkways Finish	Square Metre	10	£30
Renew Cast Iron Rainwater Goods Garage	Linear Metre	40	£40
Renew Central Heating Boiler	Property	15	£3,785
Renew Chain Link Front Fencing	Linear Metre	20	£50
Renew Chain Link Rear Fencing	Square Metre	20	£50
Renew Clay Ext Store Roof	Square Metre	50	£30
Renew Clay Pitched Roof	Square Metre	60	£65
Renew Clay Porch	Square Metre	50	£80
Renew Composite Ext Ent Doors 01	No.	30	£500
Renew Composite Ext Ent Doors 02	No.	30	£500
Renew Concrete Balcony Structure	Square Metre	60	£90
Renew Concrete Ext Store Roof	Square Metre	40	£40
Renew Concrete Ext Store Walls	Square Metre	50	£100
Renew Concrete Hardstanding Garage	Square Metre	25	£65
Renew Concrete Outbuilding Roof	Square Metre	40	£40
Renew Concrete Outbuildings Walls	Square Metre	50	£60
Renew Concrete Parking Areas	Square Metre	30	£35
Renew Concrete Paths	Square Metre	25	£30
Renew Concrete Rainwater Goods Garage	Linear Metre	25	£40
Renew Concrete Stairs Finish	Square Metre	30	£35
Renew Concrete Tile Pitched Roof	Square Metre	60	£80
Renew Concrete Walkways Finish	Square Metre	30	£35
Renew Double Glazed PVC Window Glazing	No.	40	£190
Renew Drying Area	Square Metre	65	£85
Renew Electric Ind Wat Heat	Property	15	£650
Renew Felt Ext Store Roof	Square Metre	15	£40
Renew Felt Flat Roof	Square Metre	15	£60
Renew Felt Outbuildings Roof	Square Metre	15	£55
Renew Felt Porch	Square Metre	15	£60
Renew Garage Roof Asphalt	Square Metre	20	£34
Renew Garage Roof Felt	Square Metre	15	£34
Renew Garage Roof Non-Asbestos	Square Metre	50	£52

Renew Garage Roof Steel	Square Metre	50	£52
Renew Garage Wall Finish Pointed	Square Metre	30	£25
Renew Garage Wall Finish Rendered	Square Metre	30	£25
Renew Garage Wall Other	Square Metre	60	£105
Renew Garage Walls Brick	Square Metre	60	£75
Renew Garage Walls Concrete	Square Metre	60	£90
Renew Garage Walls Metal	Square Metre	99	£60
Renew Garage Walls Timber	Square Metre	50	£105
Renew Gas Floor Communal Boiler	Property	30	£1,000
Renew Gas Ind Wat Heat	Property	15	£650
Renew GRP Composite Ext Store Doors	No.	30	£200
Renew GRP Doors Garage	No.	25	£450
Renew GRP Ext Do 02	No.	30	£500
Renew GRP Ext Ent Doors 01	No.	30	£500
Renew GRP Outbuildings Doors	No.	25	£350
Renew GRP Porch	Square Metre	15	£120
Renew Large Kitchen	Property	20	£5,500
Renew Mains Wired Smoke Detectors	Property	15	£200
Renew MCBS	Property	30	£575
Renew Medium Kitchen	Property	20	£5,000
Renew Metal Balcony Rail/guard	Square Metre	40	£60
Renew Metal Doors Garage	No.	25	£450
Renew Metal Ext Store Walls	Square Metre	30	£85
Renew Metal Gates	No.	25	£75
Renew Metal Outbuilding Doors	No.	25	£350
Renew Metal Outbuildings Walls	Square Metre	30	£70
Renew Non Asbestos Outbuildings Roof	Square Metre	20	£45
Renew Non Slip Stairs Finish	Square Metre	25	£45
Renew Non Slip Walkways Finish	Square Metre	25	£60
Renew Other	Square Metre	60	£110
Renew Other Balcony Finish	Square Metre	25	£45
Renew Other Balcony Rail\Guard	Square Metre	40	£40
Renew Other Bin Store Walls	Square Metre	30	£105
Renew Other Boundary Walls	Square Metre	50	£75
Renew Other Central Heating Carcass	Property	30	£2,500
Renew Other Chimney	No.	50	£500
Renew Other Doors Garage	No.	25	£450
Renew Other Ext Store Roof	Square Metre	50	£50
Renew Other Fascia/soffit/barge	Linear Metre	30	£25
Renew Other Fascia/soffit/barge Garage	Linear Metre	30	£25
Renew Other Flat Roof	Square Metre	50	£60
Renew Other Front Fencing	Linear Metre	20	£50
Renew Other Gates	No.	25	£75
Renew Other Hardstanding Garage	Square Metre	25	£60
Renew Other Outbuilding Doors	No.	25	£350
Renew Other Outbuilding Wall	Square Metre	99	£1
Renew Other Parking Areas	Square Metre	30	£60
Renew Other Paths	Square Metre	25	£60
Renew Other Pitched Roof	Square Metre	60	£70

Renew Other Porch	Square Metre	45	£75
Renew Other Rainwater Goods	Linear Metre	30	£35
Renew Other Rainwater Goods Garage	Linear Metre	40	£45
Renew Other Rear Fencing	Square Metre	20	£50
Renew Other Stairs Finish	Square Metre	30	£40
Renew Other Walkways Finish	Square Metre	30	£40
Renew Other Wall Finish	Square Metre	25	£60
Renew Plastic SVP	Linear Metre	30	£30
Renew Pointed Outbuilding Wall	Square Metre	99	£1
Renew Post & Wire Front Fencing	Linear Metre	20	£50
Renew Post & Wire Rear Fencing	Square Metre	20	£50
Renew Pvc Ext Com Doors	No.	20	£900
Renew PVC Ext Ent Doors 01	No.	30	£500
Renew PVC Ext Ent Doors 02	No.	30	£500
Renew PVC Ext Store Doors	No.	30	£200
Renew PVC Fascia/soffit/barge	Linear Metre	30	£25
Renew PVC Fascia/soffit/barge Garage	Linear Metre	30	£25
Renew PVC Rainwater Goods	Linear Metre	30	£30
Renew PVC Rainwater Goods Garage	Linear Metre	20	£15
Renew Pvc Shiplap Wall Finish	Square Metre	30	£40
Renew PVCu Windows	Property	40	£3,000
Renew Radiators Central Heating Carcass	Property	30	£2,500
Renew Render Ext Store Walls	Square Metre	25	£30
Renew Render Outbuildings Walls	Square Metre	25	£35
Renew Rendered Chimney	No.	50	£500
Renew Rendered Wall Finish	Square Metre	25	£35
Renew Roof Garage Concrete	Square Metre	60	£34
Renew SCDC Elec Fires Room Heating	No.	15	£250
Renew SCDC Gas Fires Room Heating	No.	15	£350
Renew Shower Only/Basin/Sep WC With Bas PB	Property	30	£4,300
Renew Shower Only/Basin/WC PB	Property	30	£4,300
Renew Shower Only/Basin/WC SB	Property	30	£3,000
Renew Slate Ext Store Roof	Square Metre	70	£40
Renew Slate Pitched Roof	Square Metre	60	£70
Renew Slate Porch	Square Metre	70	£90
Renew Small Kitchen	Property	20	£3,500
Renew Softwood Communal Doors	No.	30	£700
Renew Softwood Ext Com Doors	No.	20	£700
Renew Solar Panel Water Heating	Property	25	£2,500
Renew Solid Fuel Ind Wat Heat	Property	15	£600
Renew Solid Fuel Room Heating	No.	30	£400
Renew Steel Ext Com Doors	No.	20	£1,375
Renew Steel Outbuildings Roof	Square Metre	20	£40
Renew Steel Porch	Square Metre	50	£120
Renew Storage Central Heating Carcass	Property	30	£2,500
Renew Synthetic Pitched Roof	Square Metre	60	£65
Renew Tarmac Hardstanding Garage	Square Metre	25	£70
Renew Tarmac Parking Areas	Square Metre	30	£45

Renew Tarmac Paths	Square Metre	25	£50
Renew Tile Hung Wall Finish	Square Metre	30	£45
Renew Tile Stairs Finish	Square Metre	25	£40
Renew Tile Walkways Finish	Square Metre	25	£40
Renew Timber Bin Store Walls	Square Metre	30	£65
Renew Timber Ext Ent Doors 01	No.	30	£500
Renew Timber Ext Ent Doors 02	No.	30	£500
Renew Timber Ext Store Doors	No.	30	£200
Renew Timber Ext Store Walls	Square Metre	30	£60
Renew Timber Gates	No.	25	£75
Renew Timber Outbuildings Walls	Square Metre	25	£70
Renew Timber Palisade Front Fencing	Linear Metre	20	£50
Renew Timber Panel Front Fencing	Linear Metre	20	£50
Renew Timber Panel Rear Fencing	Square Metre	20	£50
Renew Timber Post & Rail Front Fencing	Linear Metre	20	£50
Renew Timber Shiplap Wall Finish	Square Metre	25	£35
Renew UPVC	No.	30	£900
Renew uPVC Doors Garage	No.	25	£450
Renew uPVC Outbuilding Doors	No.	25	£350
Renew Vinyl Stairs Finish	Square Metre	10	£40
Renew Vinyl Walkways Finish	Square Metre	10	£25
Renew Water Heating Combi Boiler	Property	15	£650
Renew Water Heating Communal	Property	15	£650
Renew Water Heating Instant	Property	15	£650
Renew Water Heating Other	Property	15	£650
Renew WC Only with Basin SB	Property	30	£2,000
Renew Wiring	Property	30	£2,300
Renew Wood Doors Garage	No.	25	£450
Renew Wood Fascia/soffit/barge	Linear Metre	30	£25
Renew Wood Fascia/soffit/barge Garage	Linear Metre	30	£20
Renew Wood Outbuilding Doors	No.	25	£350
Replace Entry Phone	No.	15	£300
Replace Ext Fan	Property	10	£150
Rewire	Property	30	£1,400
Upgrade Loft Insulation	Property	99	£250
Upgrade to Full Prog Heat	Property	30	£2,500

Summary of Key Financial Assumptions

1. 30 Year Forecast of projected income and expenditure for HRA complete, including:
 - Rental Yield Forecast based on current rent convergence criteria (RPI + 0.5% + £2 per week until convergence on a per property basis)
 - Appropriate bad debt provisions (especially given welfare reform implications for collection)
 - 100% property by property stock condition survey completed (except for 300 units, where results extrapolated from relevant beacons)
 - Major Repairs programme incorporates full component replacement based on anticipated residual life (kitchen, bathroom, roof, wiring etc) and fully costed into relevant financial year by which;
 - Major Repairs programme fully meets decent homes standard over 30 year period
 - Major Repairs programme incorporates warm homes strategy and retrofit of energy efficiency measures to 670 units
 - Major Repairs programme incorporates demolition and replacement of 225 end of life properties
 - Major Repairs programme funded from revenue account and satisfy future depreciation provision requirements
 - Anticipated staff structure costs incorporated including additional resources for tenant participation, maintenance etc
 - Appropriate level of right to buy transactions
 - HRA Revenue balance maintained at £2m
 - No arithmetical errors in CIH business plan model
 - No arithmetical errors in Keystone Asset Management database
2. 30 Year Forecast of projected income and expenditure for HRA provides a net surplus in each year of variable but growing trend amounts from which to meet debt financing and or further investment costs.
3. Around 5,000 households on current waiting list.
4. New build, 3 bed house on free serviced land costs £134,000, surplus generated from rent yield after costs has rate of return circa 4.6%.
5. Public Works Loans Board (PWLB) offers cheapest, most flexible funding solution.
6. Applicable long term interest rates National Loans Fund (NLF) at or near bottom of cycle.
7. Normal PWLB rates will not, in foreseeable future (20yrs), come as low as current NLF rates.
8. No artificial surge in rates given HRA settlement on fixed date of 26 March 2012.
9. No significant anticipated movement in current UK yield curve before 26 March 2012.

10. UK yield curve will push up in medium term to normal levels.
11. Council maintains current investment strategy for surplus cash reserves (£6m core cash plus £19m variable to cash flow requirements).
12. Future Government does not change the current PWLB regime as circular 148 (premium to gilts, premature repayment calculation etc.).
13. Regulatory regime for the HRA remains unchanged.
14. Treasury strategy only considers use of maturity loans on fixed rates of interest.
15. Size of debt portfolio means EIP / Annuity structures unnecessary as maturities / repayments can be built into the required financial year.
16. No advantage to be gained in using variable rate loans given current “discount” and yield curve.

30 year summary HRA Business Plan Table

HOUSING REVENUE ACCOUNT BUSINESS PLAN PROJECTIONS

Year	2012.13	2013.14	2014.15	2015.16	2016.17	2021.22	2026.27	2031.32	2036.37	2041.42
	1	2	3	4	5	10	15	20	25	30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
INCOME:										
Rental Income	25,299	26,437	27,636	28,882	29,977	35,141	41,571	47,739	54,806	62,907
Garage Rents Service Charges etc	1,484	1,341	1,376	1,412	1,450	1,652	1,882	2,145	2,445	2,787
Other Income	288	479	454	459	472	409	647	972	1,389	1,770
Total Income	27,071	28,256	29,466	30,754	31,898	37,202	44,101	50,856	58,640	67,465
Management	4,517	4,563	4,677	4,794	4,914	5,559	6,290	7,116	8,051	9,109
Responsive & Cyclical Maintenance	4,640	4,756	4,875	4,997	5,122	5,795	6,556	7,418	8,392	9,495
Major Repairs & Improvements	6,753	8,070	8,272	8,479	8,626	9,100	12,915	15,188	14,659	16,586
Reprovision/repurchase of Existing Homes	400	410	1,828	1,874	1,181	5,520	565	639	362	409
Bad Debt Provision	50	131	137	144	150	176	208	239	274	314
Interest Payments	7,179	7,179	7,179	7,179	7,179	7,179	7,179	7,179	7,179	5,517
Scheduled Repayment of Debt	0	0	0	0	0	0	0	0	5,000	10,000
Total Expenditure	23,540	25,110	26,969	27,466	27,171	33,329	33,713	37,779	43,918	51,431
Surplus for year	3,532	3,147	2,497	3,287	4,727	3,873	10,387	13,077	14,722	16,033
HRA Reserves b/f	2,291	5,823	8,969	11,467	14,754	27,150	74,523	132,811	206,327	272,110
HRA Reserves c/f	5,823	8,969	11,467	14,754	19,481	31,022	84,910	145,888	221,048	288,143
Reserves @ 31st March										
Working Balance Reserve	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Insurance Reserve	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Investment/Repayment Reserve	2,823	5,969	8,467	11,754	16,481	28,022	81,910	142,888	218,048	285,143

