



HOUSING REVENUE ACCOUNT BUSINESS PLAN **2014 – 2044**

Introduction	1
Rent Setting	1
Asset Management	1
Welfare Reform.....	2
Decent Homes	3
Service Standards.....	3
Allocation Policy.....	3
Sheltered Housing	4
Repairs and Maintenance	4
Service Charges	4
Information Technology	4
Performance Management and Customer Involvement.....	5
Stock Options	5
Financial Modelling of the Housing Revenue Account Business Plan	6
Treasury Management of the Housing Revenue Account Business Plan	7
Appendix A: Housing Revenue Account Assets	8
Appendix B: HRA Financial Business Plan Summary.....	9
Appendix C: Housing Capital Programme Financing	11
Appendix D: Housing Development Fund	12
Appendix E: Earmarked Reserve Balances	12

Introduction

1. The first Business Plan for the Council's Housing Revenue Account (HRA) under self financing was published in February 2012, and updated in February 2013. This document is the third update in what continues to be an annual review process, amending our future projections in the light of changing circumstances.

Rent Setting

2. The Government's national social rent restructuring policy still stands. This policy assumes the following:
 - That guideline rents will converge with formula rents in 2015/16
 - A limit on individual annual rent increases of RPI + 0.5% + £2 per week up to convergence and thereafter for annual increases in formula rents of RPI + 0.5%.
3. The Government is currently consulting on the proposed rent formula for increases from 2015-16 onwards. This proposes that future rent increases are pegged to a maximum of the Consumer Price Index plus 1%.
4. Although the proposed Government changes to the formula have not resulted in a significant revision to our financial assumptions for the Business Plan, which have been based on modest rental income growth (para 44 refers), the changes are likely to require a new rent setting policy for 2015-16 and beyond to consider the issue of differentials between rents of properties that will not have converged by 2015-16. This will form part of our next revision of our Business Plan.

Asset Management

5. The Council's HRA assets (Appendix 1 refers) includes dwellings let on secure tenancies, leasehold interests, shops, garages, and other associated pieces of land. The objective of the Business Plan remains to maintain these assets for future housing provision.
6. We are committed to develop redundant assets to best effect. Our focus in the immediate term is on our garage sites and associated small parcels of land. In the medium term we will focus on our sheltered housing, some of which is not fit for purpose. We want our social housing assets to grow to meet needs.
7. The Government's proposals for increasing Right to Buy (RTB) have implications on our Business Plan. The Council has entered into an agreement with the Government for RTB receipt retention on the condition that the receipts are reinvested into new rented housing.
8. The Government's reinvigoration of RTB has seen an increase in demand. 11 homes were sold in 2012-13, and 14 homes are projected to be sold in 2013-14 (though this is off-set by one projected repurchase through the Mortgage Rescue Scheme).
9. Our previous plan contained flexibility to handle rent reductions from RTB sales, including contingencies have been set aside to reduce ongoing expenditure, and factored in a capital investment fund for new housing provision, to fund our asset reprovision and development programme. Our assumptions at this stage are that it will be funded entirely from within the HRA.

10. However the options for other funding streams come from:
 - Section 106 contributions;
 - Partnering funds from the Homes & Communities Agency (HCA). This would require the Council entering into a partnering agreement with the HCA;
 - Joint ventures with other Registered Providers.
11. In 2013-14, we concluded a review of our HRA assets and have begun a development programme within our HRA:
 - We have approved the acquisition of our first property through the Mortgage Rescue Scheme (MRS), and have committed to other similar acquisitions as part of the asset strategy
 - We are committed to conversion of redundant scheme manager accommodation in two of our sheltered housing blocks to creating three new sheltered housing flats.
12. We are working on the feasibility of a number of other projects arising out of the asset review which will be presented in 2014/15.

Welfare Reform

13. The Welfare Reform Act has been enacted. This has significant implications for our Business Plan:
 - From April 2013, tenants of working age who receive Housing Benefit have had this reduced if they have one or more spare bedrooms. The reduction is to be 14% for one extra bedroom and 25% for two extra bedrooms or more. The number affected by this change has fluctuated over time, but is approximately 185 of our tenants at any one point in time.
 - From April 2013, Council Tax Benefit has been replaced by our Local Council Tax Support (LCTS) Scheme.
 - From October 2013, all unemployed working age households have had overall welfare payments capped at £500pw (families) and £350pw (single claimants). We estimate this has impacted upon about 15 of our tenants.
 - By 2017, the new Universal Credit payment is planned to be introduced on a phased basis, focussing first on new claims. It will roll all benefit payments into a single payment made directly to the client.
14. In the previous update of our Business Plan, our analysis was that the primary effect of welfare reform will be on our bad debt provision. Our policy for rent arrears collection is designed to respond to individual circumstances of hardship, and work in conjunction with debt advice services. In our last update, we increased our bad debt provision by 120% over the life of the plan, to allow us a greater contingency. We will continue to review this annually as the impact of Welfare Reform Act and the current economic downturn become understood better. We estimated that the impact of these changes on demand for transfer downsizing is likely to be less significant, and this has been the case so far. The update of our Allocation Policy (paras 23-24 refer) has given greater priority to transfer applicants who are underoccupying, and we will also continue to have regard to this in ongoing updates of the Plan.

Decent Homes

15. The Council's objective throughout the course of the Business Plan is to achieve and maintain all our homes to the Decent Home Standard.
16. It is recognised that Decent Homes focus on the inside of the dwelling, and investment also needs to occur in the estate infrastructure and communal space to create sustainable communities for the future. The Business Plan includes an element of investment to achieve this.
17. In our previous update, we indicated that, in preparation for the reprocurement of our repairs and maintenance contracts (para 29 refers) and once we have upgraded the asset management element of our IT (para 37 refers), we intend to conduct a comprehensive stock condition survey to make sure we have an accurate picture of the condition of our stock to inform the ongoing repairs and maintenance and capital improvement programme, and this remains the case. This stock condition survey will be carried out in 2014/15.

Service Standards

18. The objective of the Business Plan remains to deliver the service standards agreed with tenants in 2011/12, and summarised in our current Tenants Handbook, providing the best possible value for money within total resources available.
19. Through the process of scrutiny (para 39) and annual review, these service standards will be refined and improved. Improvements in technology (paras 34 to 37) will contribute to this. However the Business Plan provides limited growth for additional service provision – improvements to service standards will have to be funded through efficiencies.
20. The Localism Act provides opportunities for the Council to let new homes at affordable rent tenancies (up to 80% market rent) in addition to current social rent. It also provides the opportunity to offer fixed term tenancies to new tenants rather than the existing tenancies for life.
21. The Council adopted a Tenancy Strategy for the Borough in March 2013. This set out the framework for the approach to be taken in its own stock and that of all other providers of social housing operating within the Borough. This was linked to a review of the Council's Homelessness Prevention Strategy and Allocation Policy, both also finalised in 2013-14.
22. During 2013/14, we are also in the process of reviewing our Tenancy Agreement, following the adoption of the Council's new Tenancy Strategy. As part of this review, we have agreed to introduce fixed term tenancies for all new general needs tenancies from April 2014.

Allocation Policy

23. In 2013, the Council updated our policy for allocation of our homes to ensure we meet the housing needs of the borough as effectively as possible. Three key priorities of the updated policy include:
 - All applicants will now be required to have a local connection with the Borough before they are accepted on the Housing Register.

- Applicants will not be accepted on the Register if their financial means are sufficient to purchase or rent a home on the open market of a suitable size for their household without the assistance of benefits.
- The Policy will give a greater priority to transfer applicants who are underoccupying, in particular assisting those tenants affected by the impact of reduction in Housing Benefit for those with spare bedrooms.
- Priority will be given to applicants in employment or training.

24. The new policy will be implemented in 2014.

Sheltered Housing

25. The service was subject to a review that concluded in 2011/12, to try and identify efficiencies to offset the loss of grant income from Essex County Council.
26. The review in particular maximised the efficiency of staffing resources such that the service operates at a break even position within the HRA Business Plan, whilst at the same time looking at specific sheltered housing assets as part of the HRA Asset review.
27. The first stage of this asset review, focussing on reprovision of scheme manager's accommodation at St Georges Court, and The Gables, and enlargement of office accommodation at Rowan Green was commenced in 2013/14.

Repairs and Maintenance

28. The original Business Plan identified room for improvement in delivering value for money in this area.
29. In 2013/14, the composition of the repairs and maintenance contracts was reviewed to identify opportunities for consolidation of work areas into fewer contracts both to simplify management arrangements and to achieve better value, and the revised contracts have been subject to market testing, in preparation for new contracts to commence in 2014/15.
30. A staff review of the repairs and asset management teams has also be undertaken to improve co-ordination of service delivery and encourage consolidation of databases.
31. Potential achievable savings have not yet been built into this plan, but these will be incorporated in future reviews.

Service Charges

32. A reviewed tenant service charge policy was implemented from 2012/13 onwards. This has aligned individual service charges accurately to spend on individual blocks.
33. This has focussed on the value for money of service charges, and continues to form the methodology by which service charges are calculated.

Information Technology

34. Information Technology (IT) is supplied through the Orchard software system, and Locata software providing a Choice Based Lettings service through an externally hosted web based platform (procured as part of a consortium with five other local authorities). The configuration of Orchard has been previously identified as in need of improvement and

the system has not been fully upgraded. The interface between Locata and Orchard is limited.

35. Funding has been built into the Business Plan over the three years 2012-15 to significantly improve the IT system, both through an on-going upgrade of the functionality of Orchard, provision of new hardware, and proper integration of Orchard and Locata.
36. Key to the improvements has been the upgrade of the Orchard system onto a web-based platform, which will improve the web-based services that can be provided to customers. The upgrade to the new web-based platform was concluded in 2013/14, allowing the ongoing implementation of improved customer functionality which will continue in 2014/15. This will allow improved web-based access of the system by customers.
37. Another key improvement has been the acquisition of a significantly improved asset management system, which will allow more accurate control of our stock condition, and better business planning of the repairs and maintenance functions. This is an important pre-requisite of our planned reprocurement of the repairs and maintenance service. The new asset management system is in the process of implementation.

Performance Management and Customer Involvement

38. Scrutiny of the Business Plan provides an opportunity for on-going monitoring of performance management across all areas of the Council's housing service, to give us a holistic view of the efficiency and effectiveness of the housing service.
39. The Council remains a member of HouseMark, the national benchmarking club, which enables us to compare our performance and costs with similar stock retained councils and registered providers, and provides a forum to share and obtain best practice. We also remain a member the Association for Retained Council Housing (ARCH), which provides additional best practice sharing opportunities with other stock retained Councils, both for housing staff and for our tenant representatives.
40. In 2012/13, we reviewed our Tenant Participation Compact, and strengthened the role of Tenant Talkback, our umbrella group of tenants association representatives. Within Talkback, we have established a tenant's scrutiny role to help us shape services and monitor performance in line with the HCA's tenant involvement and empowerment standards, and this function has been further developed and embedded in 2013/14, with two Talkback representatives becoming co-opted members of the Council's Community Services Committee for discussion of housing related items, and Talkback being supported with increased revenue resources for tenant participation to support the development of a resource centre.

Stock Options

41. As we continue to plan for the most effective delivery of our services, it is right that we consider the best way to deliver the services in the future. During 2014/15 we will carry out an evaluation of future options for the management of our stock in order to decide on the best outcomes on the future delivery of housing services for Brentwood residents.

Financial Modelling of the Housing Revenue Account Business Plan

42. Appendix B summarises the financial Business Plan. It demonstrates that the service can continue to support itself under self financing for the forthcoming thirty years, with the assumptions detailed above.
43. The Business Plan will continue to be updated and reviewed annually, however the first five years are the most certain.
44. The main points to note are:
 - The dwelling rent income follows the rent restructuring formula (including rent convergence) for 2014-15, but assumes a 2.5% rent increase thereafter. These are the future estimates of Consumer Price Index (CPI) + 1%. This is viewed as a conservative / low risk assumption. Non dwelling rents follow the same percentage increase.
 - A 1% allowance has been made for rent loss through empty properties.
 - The repairs and maintenance budget covers the revenue (day to day) works to the stock. Inflation has been added as for rent income. This minimises risk as higher inflation would increase the rent income giving capacity to increase expenditure budgets. Potential achievable savings from new repairs contracts have not yet been built into this plan, but these will be incorporated in future reviews.
 - Management costs cover Housing staff salaries. The costs have been increased by 1%. Special services include energy costs. It is assumed that any increase in energy costs over and above the business plan assumptions will be recovered from service charges.
 - Depreciation and revenue contributions to capital expenditure are a charge to cover all future capital works to the stock. This is to meet the Council's capital programme on its homes. Further details are given below on capital expenditure and funding.
 - Central support covers the HRA share of the Council's corporate costs including office accommodation, finance, legal, IT services etc. RPI has been used to increase costs which are viewed as low risk. The Council's medium term financial strategy seeks to reduce these costs through an efficiency agenda.
 - The pension fund contribution has been forecast at current levels. Actual costs depend largely on the value of investments and yield compared to the pension liability. This will change depending on the performance of the UK and world economy. It is not possible to accurately project costs however these will be reviewed annually.
 - The Council borrowed £64.442m in March 2012. The Council decided to service the debt through net revenue generated within the HRA surplus cash aside, in order to repay back the debt. Those sums, plus compound interest, should enable the debt to be fully repaid over 30 years. The average interest rate is 2% which is a low risk assumption on investment income.
 - Appendix C shows the provisional capital programme. The available capital resources grow each year which enables flexibility in bringing forward backlog repairs or funding new developments.
 - Appendix D shows the newly created Development Fund for new developments. This is funded by RTB retained receipts and revenue contributions from reserves.

- New earmarked reserves have been created, which will fund capital works (Appendix C), the development programme (Appendix D) and repay the self financing loans. This year's plan contains a new Appendix E which summarises the two reserves set up, and their balances at the end of the year. Whilst the reserves are notionally earmarked for the Capital and Development programmes, self-financing allows flexibility for virement between the balances of each.
- Last year's updated plan anticipated that a new loan of £2m would be required for 2014/15 in order to retain balances at an acceptable level during the commencement of the development programme. However, the review of the Plan has identified that sufficient reserves exist such that the additional loan is not now required at this stage.
- The final row in Appendix B shows the projected HRA working balance surplus over 30 years. This surplus can be used to correct inflation assumptions, increase capital spend, repay debt early or to fund new HRA capital projects.

Treasury Management of the Housing Revenue Account Business Plan

45. The Council took extensive Treasury Management advice in preparing a loan portfolio to fund the self financing debt taken on 28 March 2012.
46. Full details of the options are included in the Council's Treasury Management Strategy

Appendix A: Housing Revenue Account Assets

The Council's HRA assets are as follows:

Rented Homes

As at 1 April 2013:

	Flat	House	Bungalow	Total
Bedsit	74	0	47	121
1 Bed	530	3	241	774
2 Bed	510	313	85	908
3 Bed	63	640	0	703
4 Bed	0	13	0	13
Total	1,177	969	373	2,519

As at 1 April 2014 (Projected):

	Flat	House	Bungalow	Total
Bedsit	74	0	47	121
1 Bed	527	3	240	770
2 Bed	509	309	85	903
3 Bed	63	636	0	699
4 Bed	0	13	0	13
Total	1,173	961	372	2,506

	<u>As at 1-Apr-13</u>	<u>As at 1-Apr-14</u>
Leasehold flats	421	425
Fielding Way Depot	1	1
Sheltered Scheme Communal lounges / hall	10	10
Garages	1,199	1,199
Car spaces	74	74
Shops	26	26
All non-dwellings	1,311	1,315

In addition, these assets include various areas of HRA managed land

Appendix B: HRA Financial Business Plan Summary

	2014/15	2015/16	2016/17	2017/18	2018/19	2019-24	2024-29	2029-34	2034-39	2039-44	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Details of Expenditure											
Repairs and Maintenance	2,670	2,688	2,695	2,762	2,831	15,255	17,260	19,528	22,094	24,997	112,780
General Management	1,519	1,411	1,434	1,461	1,485	7,808	8,491	9,247	10,085	11,012	53,954
Special Services	1,064	1,060	1,080	1,102	1,122	5,923	6,490	7,122	7,826	8,610	41,398
Supervision and Management	2,583	2,471	2,514	2,563	2,607	13,730	14,982	16,370	17,910	19,622	95,352
Rent, Rates, Taxes and Other Charges	178	182	187	193	197	1,064	1,203	1,362	1,541	1,743	7,849
Subsidy Payable	0	0	0	0	0	0	0	0	0	0	0
Depreciation and Impairment of Property	2,030	2,030	2,030	2,030	2,030	10,150	10,150	10,150	10,150	10,150	60,900
Increased Provision for Bad Debts	85	85	85	43	45	248	294	350	416	495	2,145
Loan Repayment			5,000			5,000	10,000	15,000	15,000	14,166	64,166
TOTAL EXPENDITURE	7,546	7,456	12,511	7,591	7,710	45,447	53,889	62,759	67,111	71,173	343,192
Capital Charges Reversal	0	0	0	0	0	0	0	0	0	0	0
Interest on Loan	2,127	2,127	2,127	2,127	2,065	10,207	9,416	7,645	5,149	2,589	45,579
Interest on Balances	(76)	(76)	(77)	(77)	(77)	(385)	(385)	(385)	(385)	(385)	(2,308)
	9,597	9,507	14,561	9,641	9,698	55,269	62,920	70,019	71,875	73,377	386,463

	2014/15	2015/16	2016/17	2017/18	2018/19	2019-24	2024-29	2029-34	2034-39	2039-44	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Details of Income											
Dwelling Rents (net)	(11,907)	(12,146)	(12,388)	(12,929)	(13,389)	(74,443)	(88,669)	(105,614)	(125,797)	(149,837)	(607,118)
Non Dwelling Rents (net)	(525)	(532)	(539)	(558)	(578)	(3,207)	(3,809)	(4,523)	(5,372)	(6,380)	(26,024)
Charges for Services and Facilities	(614)	(625)	(638)	(662)	(684)	(3,773)	(4,438)	(5,219)	(6,139)	(7,220)	(30,012)
Contribution Towards Expenditure	(257)	(211)	(211)	(213)	(215)	(1,110)	(1,177)	(1,258)	(1,353)	(1,466)	(7,470)
Net Cost of HRA Services	(3,706)	(4,007)	785	(4,721)	(5,168)	(27,265)	(35,173)	(46,595)	(66,786)	(91,526)	(284,162)
Corporate Management and Democratic Core Share	429	422	428	438	446	2,368	2,615	2,891	3,199	3,544	16,780
Pension Interest Cost and Expected Return on Pensions Assets	236	236	236	248	260	1,510	1,927	2,459	3,138	4,005	14,255
Net Expenditure of HRA Services	(3,041)	(3,349)	1,449	(4,036)	(4,461)	(23,387)	(30,631)	(41,246)	(60,449)	(83,977)	(253,126)
Revenue Contribution to Capital Expenditure	500	500	500	500	500	2,500	2,500	2,500	2,500	2,500	15,000
Single Status	(43)	0									(43)
Revenue Contribution to Development Fund	2,500	2,500	(2,000)	2,500	3,500	19,500	25,500	36,000	56,000	79,500	225,500
(Surplus)/Deficit for HRA Services	(84)	(349)	(51)	(1,036)	(461)	(1,387)	(2,631)	(2,746)	(1,949)	(1,977)	(12,669)
Working Balance b/f	(1,823)	(1,907)	(2,256)	(2,307)	(3,343)	(3,804)	(5,190)	(7,821)	(10,567)	(12,515)	(14,492)
Accumulated Surplus	(1,907)	(2,256)	(2,307)	(3,343)	(3,804)	(5,190)	(7,821)	(10,567)	(12,515)	(14,492)	

Appendix C: Housing Capital Programme Financing

	2014/15	2015/16	2016/17	2017/18	2018/19	2019-24	2024-29	2029-34	2034-39	2039-44
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Annual Expenditure	3,714	3,701	3,688	3,674	3,660	18,091	17,728	17,346	16,944	16,575
<i>Cumulative Expenditure</i>	3,714	7,415	11,103	14,777	18,437	36,528	54,256	71,602	88,546	105,121
Funded By:										
Depreciation	(2,030)	(2,030)	(2,030)	(2,030)	(2,030)	(10,150)	(10,150)	(10,150)	(10,150)	(10,150)
Council Dwelling Investment Fund	(500)	(500)	(500)	(500)	(500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
Council Dwelling Development Fund	(1,184)	(1,171)	(1,158)	(1,144)	(1,130)	(5,441)	(5,078)	(4,696)	(4,294)	(3,925)
Total	(3,714)	(3,701)	(3,688)	(3,674)	(3,660)	(18,091)	(17,728)	(17,346)	(16,944)	(16,575)

Appendix D: Housing Development Fund

	2014/15	2015/16	2016/17	2017/18	2018/19	2019-24	2024-29	2029-34	2034-39	2039-44	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RTB Income Received from Sales of Properties	-1110	-1110	-514	-514	-514	-2570	-2570	-2570	-2570	-2570	-16,612
Amount Retainable	465	465	282	282	282	1,410	1,410	1,410	1,410	1,410	8,826
Project Costs	0	1,550	1,550	1,550	1,550	4,700	4,700	4,700	4,700	4,700	26,600
30% of Pooled Receipts	0	-465	-465	-465	-465	-1410	-1410	-1410	-1410	-1410	-7980
Project Funding	0	1,085	1,085	1,085	1,085	3,290	3,290	3,290	3,290	3,290	18,620
Funded From Housing Development Fund and Reserve	0	-1,085	-1,085	-1,085	-1,085	-3,290	-3,290	-3,290	-3,290	-3,290	-18,620

Appendix E: Earmarked Reserve Balances

	2014/15	2015/16	2016/17	2017/18	2018/19	2019-24	2024-29	2029-34	2034-39	2039-44
Council Dwelling Investment Fund Surplus	1,000	1,000	500	500	500	500	500	500	500	500
Council Dwelling Development Fund Surplus	2,816	3,060	817	1,088	2,373	13,142	30,274	58,288	106,704	178,989