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Meeting of the Housing Revenue Account Business Plan Task and Finish Forum

Friday 17 June 2016 – 10.00am

Room One, Knowle - Sidmouth

AGENDA

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|----|---|---------|
| 1 | Election of Chairman | |
| 2 | Appointment of Vice Chairman | |
| 3 | Apologies | |
| 4 | <u>Declarations of interest.</u> | |
| 5 | To note and review the terms of reference/scope of the Housing Revenue Account Task and Finish Forum. | 3 - 4 |
| 6 | Voluntary code for a self-financed housing revenue account. | 5 - 18 |
| 7 | To consider the current Housing Revenue Account Business Plan. | 19 - 47 |
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| 9 | Any other business | |
| 10 | Dates of future meetings – to agree a programme of meetings. | |

[Decision making and equalities](#)

**For a copy of this agenda in large print, please contact the
Democratic Services Team on 01395 517546**

Scoping template

Housing Review Board – Housing Revenue Account 30 year Business Plan

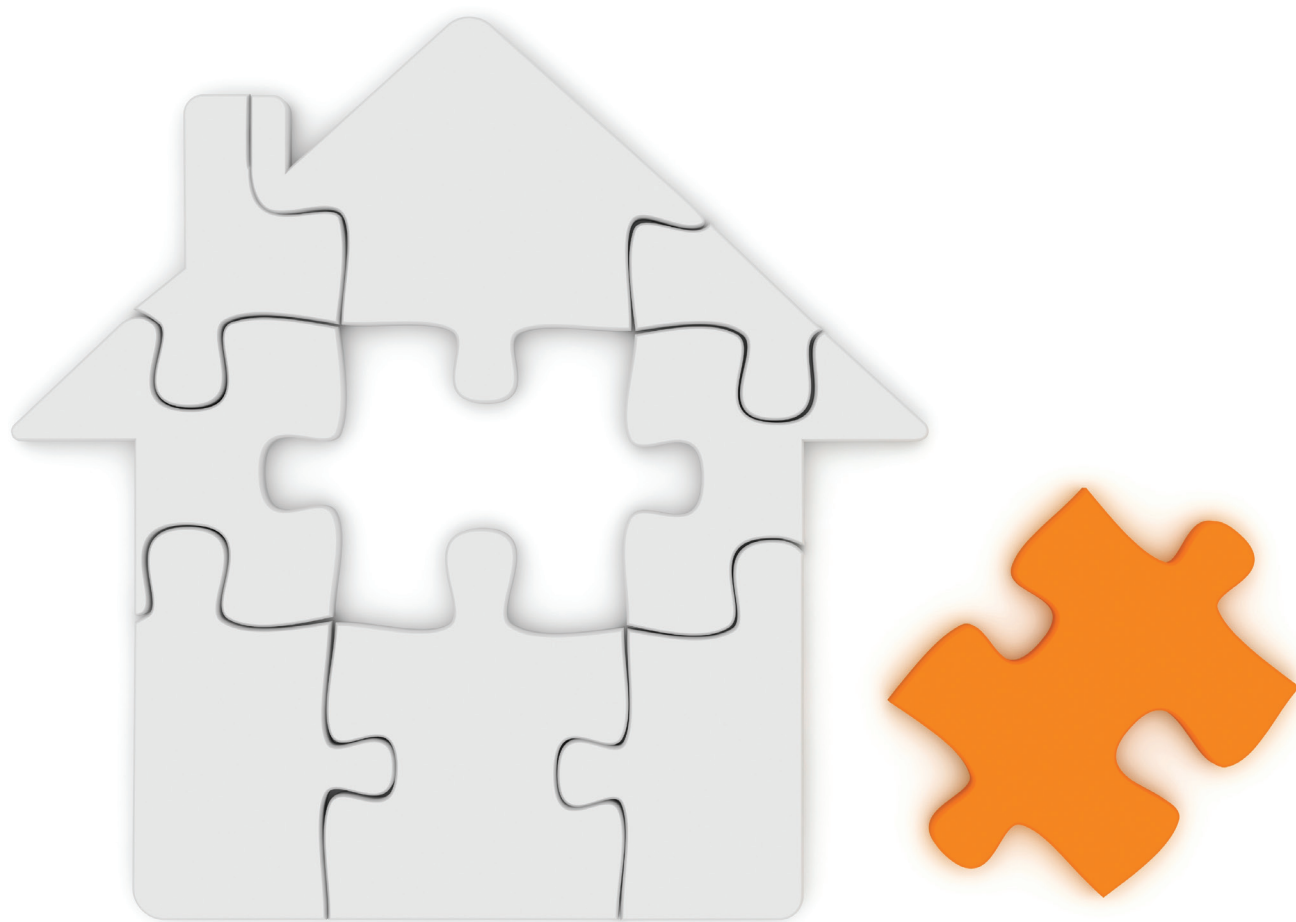
Scope of work for scrutiny:

Broad topic area:	Housing Revenue Account (HRA) 30 year Business Plan (BP).
Specific areas to explore within topic area:	<p>Impact of recent Government announcements on the HRA BP, including:</p> <ul style="list-style-type: none"> • 1% rent reduction policy • Pay to Stay consultation • Right to Buy receipts – retention and spending • Sale of high value stock <p>The review should also cover:</p> <ul style="list-style-type: none"> • The borrowing headroom and capacity to increase debt; • Review of the loan portfolio together with the risks and sensitivity analysis; • Spending of Right to Buy receipts.
Areas NOT covered by the review:	Areas outside of the HRA BP.
Desired outcomes of the review:	To produce a new, refreshed HRA Business Plan that is 'fit for purpose' and effectively manages financial and operational risks to the business.
Who should be consulted to obtain evidence (e.g. Ward Member, officers, stakeholders)	<p>Strategic Lead – Housing, Health & Environment</p> <p>Strategic Lead - Finance</p> <p>Housing Accountant</p> <p>Portfolio Holder – Sustainable Homes and Communities</p> <p>Housing Review Board</p> <p>Tenants</p>
What evidence already exists (consultation, good practice examples)	<ul style="list-style-type: none"> • Government consultation documents and feedback from other social housing providers. • Examples of Business Plans from other local authority housing providers and housing associations. • Housing & Planning Bill. • Chartered Institute of Housing policy and practice.
What experts are needed to help with	Capita Legal

the review:	Financial
What other resources are needed:	HRA Business Plan model
Undertaken by the Committee or is a TAFF required:	Task and Finish forum
Timescale including start date:	Start: June 2016 End: December 2016
Who are the recommendations being reported to:	Housing Review Board and onto Cabinet.

Voluntary code for a

self-financed housing revenue account



CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

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Foreword

The introduction of Housing Revenue Account (HRA) self-financing has given local authorities the freedom to develop and deliver a more positive, less constrained, vision for council housing. The Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Housing believe that it is vital that local authorities have effective governance and financial management frameworks in place in order for self-financing to be a success.

In order to support local authorities in assessing and developing these frameworks the two institutes have worked together to produce a voluntary code of practice for the sector. The principles and provisions of this voluntary code will:

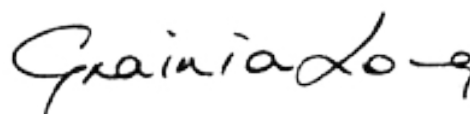
- assist housing authorities in ensuring effective governance, finance and business planning
- provide transparency to tenants, members and officers on how the housing business is being managed. The code will give tenants and members a framework against which to hold the authority to account
- allow housing authorities to assess where they may need further support and assistance.

In some cases, these principles are already covered through other regulatory or professional guidance. These are highlighted along with any specific provisions relating to a self-financed HRA.

These principles are designed to be self-regulatory and we believe that they represent a key tool in assisting local authorities to account for the management of the HRA to tenants and residents and those charged with governance.



Ken Lee
Chair, CIPFA Housing Panel



Grania Long
Chief Executive, Chartered Institute of Housing

Acknowledgements

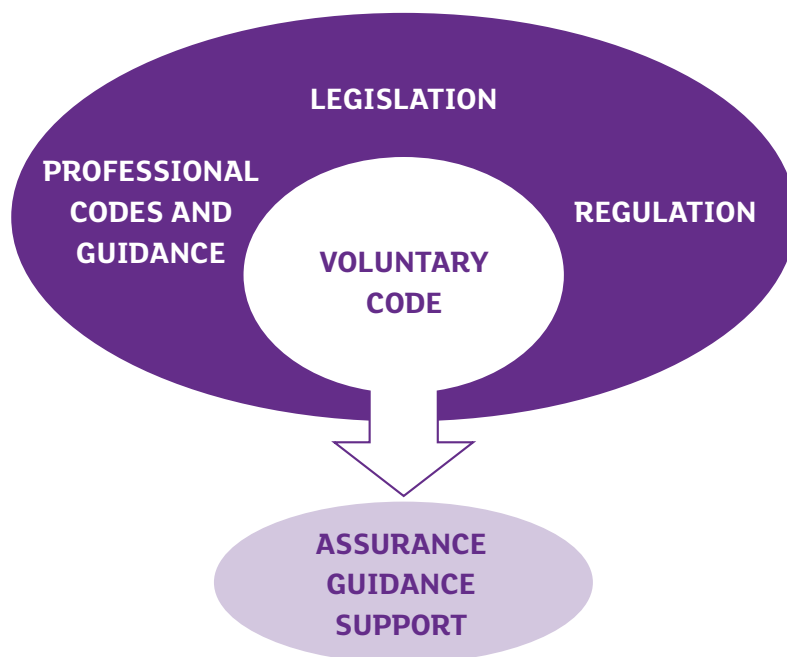
The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Housing (CIH) are grateful to the authors, Louise Dunne and Ben Taylor, and to the members of the project team who undertook the background research:

Julie Crook	<i>St Leger Homes of Doncaster</i>
Louise Dunne	<i>CIPFA</i>
Steve Partridge	<i>Chartered Institute of Housing</i>
Peter Pennekett	<i>Portsmouth City Council</i>
Ben Taylor	<i>Chartered Institute of Housing</i>

Introduction

Housing Revenue Account (HRA) self-financing commenced in April 2012. For the first time in generations, local housing authorities are able to fully retain the money they receive in rent in order to plan and provide services to their current and future tenants. This represents a monumental shift in outlook from the previous financial system, replacing an annual short-term focus with a longer term planning horizon with the freedom to develop and deliver a more positive, less constrained, vision for council housing.

With freedom and flexibility comes responsibility. Councils are keen to make the most of this opportunity and do so in a prudent, viable and measured way. There are already a number of checks and balances in the system, including formal regulation of consumer standards in housing by the Homes and Communities Agency and the financial and accounting framework operating for local government. This document is designed to support councils in their aim to ensure effective and sensible management of the housing business and to be consistent with existing frameworks.



Viable and sustainable council housing relies upon effective governance, financial and business planning. Decisions about appropriate arrangements for effective management of long-term housing business plans need to be decided and democratically accountable at the local level. However, there is an appetite within the sector for some guiding principles to assist in establishing those arrangements, and to demonstrate that councils are managing self-financing in a responsible and appropriate way.

Purposes

Councils have responded to the move to self-financing by putting in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their self-financed HRA.

To support this work CIPFA and the CIH have produced this voluntary code of practice and accompanying provisions to assist the local authority in its management of the HRA in the following ways:

- To assist councils in ensuring effective governance, finance and business planning.
- To provide transparency to tenants, members and officers on how housing business is being managed. The principles will give tenants and members a framework against which to hold the authority to account.
- To allow housing authorities to assess where they may need further support and assistance.

HOW THE CODE WORKS

This is a voluntary code of practice covering six principles. Along with these high level principles, the code comprises a series of supporting provisions which together describe what the sector considers as essential elements for the continued sustainability of a self-financed HRA. In some cases, these principles are already covered through other regulatory or professional guidance. In these cases, this is stated along with any specific provisions relating to a self-financed HRA.

The code is designed to be self-regulatory and compliance is not formally required. As such there are no formal entry level requirements and no formal sanctions for non-compliance. It will be for a housing authority to determine how it wishes to assess its compliance with the code on an on-going basis and this reflects our belief that this code is a tool to assist the authority to account for the management of the HRA to its stakeholders. One option available to housing authorities is to undertake reviews of compliance with the code and report these reviews to the appropriate scrutiny groups and include them within the authority's Annual Governance Statement. Where an authority does not feel it is complying with the code, it is a prompt to review its approach and question whether different things need to happen.

STATUS

The voluntary code has the support of a wide range of organisations, including those who work alongside tenants and residents – this set of principles and provisions is intended to support these groups and individuals to better challenge and scrutinise the performance of the HRA under self-financing.

Finally, it is not intended that any of the Principles or Provisions as set out in this code will override or countermand Statute.

The Principles

1. **Co-regulation.** The housing authority complies with the principles of co-regulation as set out in *The Regulatory Framework for Social Housing in England from April 2012*¹.
2. **Financial viability.** The housing authority has put in place arrangements to monitor the viability of the housing business and takes appropriate actions to maintain viability.
3. **Communications and governance.** The housing authority keeps under review the communications and governance arrangements with regards to the new operating environment and adopts governance arrangements appropriate to supporting viability and accountability of the housing business.
4. **Risk management.** The housing authority has in place an effective system for the on-going management, monitoring and reporting of risks to the HRA.
5. **Asset management.** The housing authority has in place arrangements to maintain its assets to maximise their value into the future. The authority complies with the principles of good asset management as they apply to HRA assets.
6. **Financial and treasury management.** The housing authority complies with proper accounting practices including CIPFA's *Code of Practice on Local Authority Accounting in the United Kingdom*² and CIPFA's *Treasury Management in the Public Services Code of Practice*³.

PRINCIPLE: CO-REGULATION

The housing authority complies with the principles of co-regulation as set out in *The Regulatory Framework for Social Housing in England from April 2012*.

Existing provisions:

There are six provisions outlined in the Regulatory Framework:

- Councillors and boards who govern providers are responsible and accountable for delivering their organisation's social housing objectives.
- Providers must meet the regulatory standards.
- Transparency and accountability is essential to co-regulation.
- Tenants should have opportunities to shape service delivery and to hold the responsible boards and councillors to account.

¹ *The Regulatory Framework for Social Housing in England from April 2012*, Homes and Communities Agency, March 2012

² *The Code of Practice on Local Authority Accounting in the United Kingdom*, CIPFA, annual

³ *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*, CIPFA, 2011

- Providers should demonstrate that they understand the particular needs of their tenants.
- Value for money goes to the heart of how providers ensure current and future delivery of their objectives.

Voluntary code provisions

Financial and other performance information is presented in a format that is inclusive to all.

PRINCIPLE: FINANCIAL VIABILITY

The housing authority has arrangements in place to monitor the viability of the housing business and takes appropriate actions to maintain viability.

Voluntary code provisions

Provision 1:

The housing authority has put in place a business planning process underpinned by appropriate financial modelling that allows the cash flows of the business to be forecast. The process incorporates an appropriate set of assumptions relating to forecast:

- rent levels
- general income and expenditure levels
- interest rates on investment and borrowing, and associated costs
- levels of void properties and bad debts.

Provision 2:

The housing authority tests the viability of proposed major capital expenditure projects against the resources generated in the business plan. This ensures that additional activity (for example the development of new housing) is fully integrated into the business planning process and does not introduce liabilities that are unable to be fully funded within an appropriate timescale.

Provision 3:

The housing authority ensures that sufficient resources are allocated for the long-term maintenance of the stock and other assets, adopting an appropriate mechanism to transfer resources from revenue to a reserve ensuring that the peaks and troughs of lifecycle investment needs are able to be met.

Provision 4:

Assumptions are kept under regular review and tested against actual financial performance. Alterations to underlying assumptions are made in direct relation to the impact on the overall plan.

Provision 5:

The housing authority maintains accurate data about the cost of its services, and regularly reviews these in relation to its procurement and commissioning strategies. The business plan allocates resources to ensure the continued viability of high quality management services.

PRINCIPLE: COMMUNICATIONS AND GOVERNANCE

The housing authority keeps under review the communication and governance arrangements with regards to the new operating environment and adopts governance arrangements appropriate to supporting viability of the housing business.

Voluntary code provisions

Provision 1:

The housing authority undertakes to achieve openness in communication and sharing of information, and expresses all internal and governance communications in clear language.

Provision 2:

The housing authority engages in appropriate levels of consultation with tenants, members, officers and other stakeholders in a way that ensures it delivers efficient management and control of its business plan.

Provision 3:

The housing authority reviews on a regular basis the quality, accuracy and utility of all information pertaining to the management of its housing business including financial and performance based sources.

Provision 4:

The housing authority has an appropriate mechanism to assess its on-going compliance with the key principles and accounts to residents on this compliance. One option could be to undertake to publish a commentary on its compliance as part of its Annual Governance Statement or through other appropriate channels.

Provision 5:

The housing authority has adopted suitable governance arrangements consistent with the effective operation of a housing business, paying attention to the long-term nature of the business: incorporating for example the need to plan maintenance and investment over the long term and the need to manage large levels of long-term housing debt.

Provision 6:

The housing authority ensures that resources are appropriately allocated between investment, maintenance and management priorities in line with business plan objectives and that the balance of priorities is agreed with tenants, members and other stakeholders as appropriate.

PRINCIPLE: RISK MANAGEMENT

The housing authority has in place an effective system for the on-going management, monitoring and reporting of risks to the HRA. A different set of risks have been transferred to the housing authority from central government within the self-financing system.

Voluntary code provisions

Provision 1:

The housing authority carries out appropriate sensitivity analysis across the business plan to identify potential high, medium and low level risks to the financial viability of the HRA. In particular, attention is given to evaluating risks arising from: changes in government policy; treasury management risks; inflation; income recovery rates; void levels; changes to rent policy; changes in the composition of the stock; investment return; right to buy; debt levels and grants.

Provision 2:

The housing authority has a risk management system in place which, as a minimum, includes the following processes:

- identification of risk
- quantification of risk
- management of risk
- reassessment of risk
- communication of risk to appropriate decision-makers.

Provision 3:

The housing authority identifies appropriate mitigating actions where higher level risks to the overall sustainability of the business plan are identified, to ensure the long term viability of the HRA. These may include:

- an active treasury management strategy and procedures to manage treasury management risks in accordance with CIPFA's *Treasury Management in the Public Services Code of Practice*
- a suitable level of balance of reserves maintained by the HRA as a contingency against risks on inflation and income, bad debt increases as well as investment risk
- performance management frameworks effectively enforced to manage the risks of poor performance in voids, income collection and investment scheme delivery.

PRINCIPLE: ASSET MANAGEMENT

The housing authority has in place arrangements to maintain its assets to maximise their value into the future. The authority complies with the principles of good asset management as they apply to HRA assets.

Voluntary code provisions

Provision 1:

The housing authority takes a strategic approach to asset management ensuring that the long-term strategic vision for the authority is underpinned by a thorough understanding of current and future needs.

Provision 2:

The housing authority's strategic asset management and business planning processes are fully integrated. The business plan supports the maintenance and development of the asset base which in turn provides value to the business plan.

Provision 3:

The housing authority has agreed asset management standards with tenants, members and other stakeholders having regard to the financial resources generated within the business plan.

Provision 4:

The housing authority maintains accurate information relating to the condition, maintenance and investment needs of its housing stock and other HRA assets.

Provision 5:

Asset management information forms the basis for the asset investment programme of the housing authority driven by the business plan and set out over an appropriate medium-term financial period.

PRINCIPLE: FINANCIAL AND TREASURY MANAGEMENT

Existing provisions:

The housing authority complies with proper accounting practices including CIPFA's *Code of Practice on Local Authority Accounting in the United Kingdom* and CIPFA's *Treasury Management in the Public Services Code of Practice*.

Voluntary code provisions

There are two specific provisions in relation to the operation of a self-financed HRA relating to accounting for interest charges and depreciation.

Provision 1:

Housing is a long-term investment and HRA borrowing policy needs long term stability to ensure long-term planning is undertaken on a reasonable and consistent basis. The housing authority has set out a policy stating how a reasonable charge for borrowing costs of the HRA will be calculated, set for the long-term such that it enables long-term planning of HRA resources and borrowing.

Provision 2:

The depreciation charge to the HRA is calculated on a componentised basis in line with proper accounting practices⁴. The housing authority is moving to a full depreciation accounting charge in line with the transitional arrangements set out by the Department for Communities and Local Government.

⁴ For more information see *Housing Finance under Self-financing*, CIPFA, 2013.

Glossary

Co-regulation: the principle that underpins the Homes and Communities Agency's regulatory approach. Councillors who govern providers' service delivery are responsible for meeting the regulatory standards and being transparent and accountable for their organisation's delivery of its social housing objectives.

Housing authority: the same meaning as in the Housing Act 1985.

Housing business: the housing activity that is accounted for in the Housing Revenue Account.

Housing Revenue Account (HRA): the Housing Revenue Account of the local housing authority as defined by the Local Government and Housing Act 1989 (as amended).

Proper accounting practices: in relation to the accounts of a local authority these are defined in accordance with section 21 of the Local Government Act 2003.

Self-financing: a system for financing council housing introduced in April 2012 that replaced the Housing Revenue Account subsidy system.



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Housing Revenue Account Business Plan 2014

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Overview

1. Introduction

This Housing Revenue Account (HRA) Business Plan sets out the purpose and objectives that East Devon District Council will adopt in managing and maintaining its housing stock. It demonstrates that continued management by the Council will achieve and maintain good quality homes for tenants. The Business Plan was originally prepared as part of the reform of social housing finance.

East Devon Homes was established as a business unit of the Council as a response to the reform of Council housing finance and in preparation for a new era of freedom from central control over council housing finance. The purpose of East Devon Homes is – providing landlord services to tenants of East Devon District Council.

The Business Plan operates alongside the Council's Homes and Communities Strategy, and shows the main areas of income and expenditure on the housing stock and housing services that are within the Housing Revenue Account, projected over a thirty year timeframe. The management and maintenance of tenants' homes and the council's assets is a corporate and service priority. There is an emphasis on asset management recognising that Council homes are valuable resources that need to be properly run for the benefit of the current and future occupants.

In detail the Business Plan shows:

- The objectives to be achieved over the Plan period;
- The resources to be employed in delivering the objectives;
- The specific activities, continuing and time-limited, that the Council will undertake in achieving its objectives;
- The standards of performance to be measured in managing the housing service;
- The financial framework within which the housing management and maintenance activities are planned to take place.

There will not be sufficient resources available in the HRA to do all we want in terms of investment into services and tenants' homes immediately, so it is important that this Business Plan sets out priorities for investment based upon stock condition and tenants' aspirations.

It is the Council's intention to review the Business Plan at regular intervals to ensure that it reflects as accurately as possible the known condition of the housing stock, tenants' aspirations and the funding available to achieve the objectives and targets set. The Plan needs to be a dynamic document and will be subject to regular updates.

Throughout the Plan, it is assumed that where the term 'tenants' is used, it covers leaseholders where that is appropriate.

The Business Plan recognises that we are a social landlord with a range of legal and moral responsibilities for housing certain client groups. We are not a business driven by the need to make a profit, but we do need to service our debt and deliver a level of service that meets our commitments in a businesslike way. It is appreciated that the selection of tenants is by

housing need and not their ability to pay for services received. This introduces an interesting set of challenges for a social enterprise and this Business Plan attempts to balance these sometimes conflicting tensions.

Context for the Business Plan

The East Devon Area

The East Devon District covers an area of 314 square miles (81,477 hectares) and comprises the area between the River Exe and outskirts of Exeter to the west, Somerset (inland) and Dorset to the east. At the extremes, the district stretches 30 miles east to west and 15 miles north to south.

East Devon is one of eight Devon districts and, with a population of 134,898 (ONS 2013), the largest in Devon. The rural nature of the district is emphasised by the low population density which is 1.5 per hectare (England and Wales average is 3.8). The district is fully parished with 68 Town and Parish Councils.

Our main settlements comprise the coastal resorts of Exmouth, at 36,000 population Devon's largest town, Budleigh Salterton, Sidmouth and Seaton. In the mainly rural inland area the main settlements comprise Honiton, Ottery St Mary, and Axminster.

Key issues for the Housing Service are:

- A need for more affordable housing (demand far exceeds supply)
- The high cost of owner occupation and renting in the private sector affecting the ability to secure suitable housing
- Low wages in the district as compared to the national average
- Poor housing conditions in the private sector
- Fuel poverty and affordable warmth
- The lack of suitable housing for young people.

Some, but not all, of these issues are addressed in this Business Plan.

Housing Demand

The demand for housing within East Devon has been estimated by ORS using a Housing Market Assessment Model. It demonstrates a need for 230-250 new affordable homes per annum over five years. The Homes and Communities Strategy provides a more detail evaluation. There is also data on the housing stock in the district, both Council-owned and private. We are confident about the strong demand for Council housing over the life of the Business Plan, which gives some comfort over the security of future income streams.

Council-Owned Properties

In April 2014, the Council's housing stock consisted of 4274 dwellings, comprising:

- 2069 houses
- 990 bungalows
- 1214 flats

- 1 house in multiple occupation

Plus 751 garages, 14 community centres and 15 play areas.

The housing stock can also be broken down as follows:

1178	1 Bedroom dwellings
1438	2 Bedrooms dwellings
1594	3 Bedrooms dwellings
63	4 or more Bedrooms dwellings
1	HMO

1169 of these properties were sheltered accommodation intended for older tenants.

Our Business Plan is based around the management and maintenance of these assets and the provision of housing services to tenants.

2. Purpose and Objectives

Purpose

The purpose of the East Devon HRA Business Plan is to:

Set out the resources and plans to maintain good quality homes and housing services for tenants and leaseholders.

This is consistent with the Homes and Communities Strategy which seeks to ensure that a good quality, affordable home is available to all households resident in the district, and that each home is adequate in size and suitably located for the occupants - in short a decent home for all. At its simplest the Business Plan is about how we plan to manage income and expenditure on housing landlord services and the housing stock.

Objectives

The HRA Business Plan Objectives are that:

We will charge rents that are affordable to our tenants, and that are in line with government policy;

We will maintain properties on a periodic and day-to-day basis to a good standard in a way that responds to tenants' needs;

We will maintain a programme of major repairs and improvements to properties that will improve their quality and maintain our assets;

We will increase the housing stock through new build and acquisitions;

We will manage the housing operation efficiently and effectively, and strive to offer continuous improvements in service, while providing value for money;

We will make provision for tenants who are elderly, disabled or with special needs that meets tenants' needs for housing related support;

We will widen housing choice for current and prospective tenants, especially for those in priority need;

We will involve tenants in all aspects of the housing service, operating in accordance with the adopted Local Offers/Standards;

We will encourage the improvement and regeneration of local communities, encouraging social inclusion and community participation.

3. Business Plan principles

The Business Plan describes the objectives, principles and operational processes that the Housing Service at East Devon intends to use to achieve its aim of providing good quality homes supported by an efficient and effective housing service. We plan to do so in the context of a financial framework that is sound for the foreseeable future, and with staff and other resources of the right calibre and quantity to ensure success.

This Business Plan was first produced just prior to the implementation of the reform of social housing finance and updated in September 2012. We undertook a range of financial modelling using the assumptions in the various Government consultation papers and sensitivity testing as part of our preparations to take on debt. We incorporated the results of a recent stock condition survey in our models to ensure accurate and up to date information on the investment needs in relation to tenants' homes. The first call on monies within the Business Plan is to service the debt.

4. The Business and Asset Management Plan

The HRA Business Plan at its most basic is an estimate of income and expenditure over a thirty year period.

The Business Plan was updated as part of the Council's preparations towards self-financing in April 2012 using the Sector Treasury Services model (formerly Tribal).

It is underpinned by a comprehensive stock condition survey undertaken in 2010.

At the centre of the Business Plan is the Operating Account which shows income and expenditure, revenue contributions to capital, the annual surplus and the operating balance on the HRA. The Operating Account in table and graph form is shown in **annex 1**.

Under the self-financing arrangements the HRA subsidy was replaced with a settlement payment to government of £84,376,000 requiring the Council to borrow to make this payment. The cost of borrowing is shown in the capital charges column of the Operating Account and the principal payments are shown in the column headed provision for repayment of external loans. A debt curve is also shown in annex 1.

Management includes the supervision and management items.

Depreciation includes most of the major repairs and capital works to the housing stock and represents the replacement of assets that are wearing out.

The Business Plan includes some key assumptions around rent loss/bad debt. This rises from 1.5% of the rent roll by 0.5% per annum until it reaches 3% of the rent roll.

We have assumed inflation at 3.5% in year 2 (2013/14) and 2.5% per annum thereafter. For certain costs we have allowed for 0.50% increases above RPI.

Preliminaries on repair and maintenance costs are allowed for at 10%, 3% for contingencies and 8% for fees.

We have increased the minimum HRA surplus from £245 per unit to £500 per unit, equivalent to approximately £2 million.

It can be seen that surpluses arise annually and throughout the Business Plan period. Decisions will be required on how best to reinvest some of this surplus into tenant services, asset management and new build/acquisitions.

A Volatility Reserve was set up in 2012/13 with the purpose of providing a cushion for repaying the self financing loans should adverse fluctuations in spending and/or rent income occur. This reserve was increased in 2013/14 and currently holds a balance of £2.9million. This sum is equivalent to the maximum debt repayment due in any one year within the next 10 years, thereby giving the HRA at least one year's cushion to restructure budgets.

Priorities for additional expenditure and reinvestment include:

- New build/property acquisitions;
- Carbon management/energy efficiency measures;
- Accelerated door replacement programme;
- Accelerated boiler replacement programme;
- Additional surveying staff to specify, commission and oversee the additional works to the housing stock;
- Caretaking and communal cleaning services;
- Odd job service;
- Property MOTs and proactive maintenance;
- Community development initiatives;
- Expand the support service to the private sector;
- Additional staff to improve services to tenants;
- Welfare benefit advice for tenants following Welfare Reform;
- Mobile working.

This is not an exhaustive list.

These spending priorities will come forward with a business case for consideration and if approved will be built into the Business Plan as commitments.

Taking a cautious approach we can start to commit additional expenditure as the surplus increases.

We need to be clear about 'one off' expenditure items and those that will incur ongoing revenue support.

Financial Framework

Financial Assumptions

The Business Plan is based upon a set of financial assumptions that will inevitably need to be reviewed and updated over time. The financial aspects of the Business Plan can be amended and rerun quickly and easily. The income and expenditure plans are shown in the HRA Operating Account.

Housing Stock

Housing stock numbers have been assumed to reduce from present levels by Right to Buy sales throughout the Business Plan period. We have new build ambitions so stock numbers will be reassessed regularly and the Business Plan updated.

There is a requirement from central government to contribute a proportion of Right to Buy receipts to a central pool for redistribution by the Homes & Communities Agency for the provision of new social housing nationally. The amount is based on the government's assumption of the sum it would have received if the Right To Buy legislation had not been

changed. We have an agreement to use retained Right to Buy receipts on new build and acquisitions and provide 70% 'match funding' over a three year period.

Rental Income

Effective and efficient rent collection is critical to our ability to deliver this Business Plan. We are awaiting the final details of Welfare Reform and need to determine the likely impact on rental income and will adjust rent collection assumptions when the full implications are known. Average rents in 2014/15 have been increased in line with social rent reform policy (RPI + 0.5%). The increase is above inflation because of the rent convergence requirements.

From 2015/16, following recent government guidance, it is intended that rents will increase by CPI + 1% for the next ten years. The move from RPI to CPI follows the Office for National Statistics' announcement in January 2013 that the formula used to produce the Retail Price Index does not meet international standards.

In addition the Government also set out its aim that those in social rented housing with high incomes should pay a fairer level of rent. They believe that, where a social tenant household has an annual income of at least £60,000, the landlord should be able to charge them the full market rent, rather than being expected to continue to provide them with a sub-market rent. This would allow landlords to make best use of social housing, and would mean a sub-market rent is provided only to those tenants who clearly need it.

At the 2010 Spending Review, the Government also introduced "affordable rent". Their policy is that landlords can let properties at affordable rent (up to 80 percent of local market rent) where they have in place an agreement with the Homes and Communities Agency or the Department for Communities & Local Government (for new housing under the Right to Buy replacement policy) to provide new affordable housing. We are charging affordable rents on new homes built or purchased.

Rent lost through void properties and bad debts has been assumed at 1% and 0.5% respectively of total rents. This is in line with experience in recent years, but is being increased to 3% over the next few years.

Good performance on rent collection is critical as it brings in income to spend on housing services. We currently collect 99.81% of rent due. Similarly good performance on allocations and voids is also vital to the effective implementation of the Business Plan. Of this some 60% is currently met by Housing Benefit payments which will form part of the Universal Credit system when introduced under Welfare Reform.

We have undertaken some analysis on the impact of reductions in Housing Benefit for working age households who are under occupying. The following figures are based on a 14% eligible rent reduction where under occupancy is 1 bedroom, and 25% reduction for 2 or more spare bedrooms. Worst case this reduction in Housing Benefit could reduce tenants' income by £262,660 per annum.

No of customers affected	Council tenants on HB	%	Overall Eligible Rent Reduction per week for all customers
425	2764	15%	£5,051.17

Reduction (£s per week)	customers affected
0 - 4.99	8
5.00 - 9.99	211
10.00 - 14.99	89
15.00 - 19.99	113
20.00 +	4
Total	425

We will continuously model rent increase options and have regard to our aim of keeping rents affordable for tenants.

Service Charges

We plan to extend the service charge regime and de-pool certain costs to ensure that tenants pay for the services they receive. We currently operate service charges for housing related support and garden maintenance.

The Council is currently exploring a number of areas where service charges could be levied on tenants. Some of these charges may be Housing Benefit eligible and others not. Subject to consultation and agreement the Council will set reasonable and transparent service charges which reflect the service being provided to tenants. For social rent, we are also expected to identify service charges separately to the rent charge.

Service charges are not governed by the same factors as rent. However, the government expects local authorities to endeavour to keep increases for service charges within the limit on rent changes of CPI + 1%, to help keep charges affordable.

The only exception to this expectation is where new or extended services are introduced for which an additional charge may need to be made. Where this is the case, we would consult appropriately with tenants before introducing new or extended services and associated charges.

Other Income

Garage rents make up most of the income in this category. Increases in inflation have been assumed to ensure that a reasonable charge is levied for this service.

Supporting People income of approximately £524k per annum towards Mobile Support Officer Services, of which 20% is paid to Home Safeguard for the community alarm service, will be lost from 2015/16 due to budget pressures at the administering authority (Devon County Council). This means a fundamental rethinking of the way support services are offered and charged for in future.

Four possible options are being considered;

- Charge all tenants who require a support service (with transitional arrangements for those in receipt of the service as at 31 March 2015),

- Access money for sheltered housing management through the housing benefit system,
- Introduce a flat rate charge for the alarm service (this would go to the Homesafeguard service in the General Fund),
- Help@Home: delivering a low level service to sheltered tenants as standard and charging all tenants in non sheltered homes.

Some of these options are being considered together.

Management Costs

The HRA budget as approved by the Council for each financial year is used as a basis for calculating management costs. As part of this process, each cost centre is considered in detail in terms of the resources required to meet our strategy and service plan aims.

Responsive Annual and Cyclical Maintenance

Responsive maintenance is primarily the day-to-day repairs reported by tenants. Partnership arrangements are in place and the retender in 2012 saw the appointment of two contractors for responsive maintenance work. The contract provides for price fluctuations based on the RPI movement using October 2011 as the base index. The budget for the year 2014/15 has been set at £1.87million.

Annual maintenance involves checking and servicing gas appliances and lifts. We have a budget of £450k for gas servicing in 2014/15; £35k for lift maintenance; £30k for emergency lighting and fire alarms; £80k for servicing of solid fuel appliances and £25k for the maintenance of communal areas.

Cyclical maintenance work is that carried out on a recurring basis such as the external decoration of properties. Annual and cyclical maintenance is estimated to cost £742k in 2014/15.

Expenditure in future years is projected using the base year costs with inflation uplift.

Major Repairs

Major repairs are considered as the annual cost of replacing individual building elements (e.g. windows, kitchen, bathroom, and roof) as they reach the end of their useful life.

Major repairs are carried out under contract and the Council's Standing Orders are followed when contracts are awarded.

We plan significant levels of investment in major repairs with £5.15m identified in 2014/15. This rises in accordance with the requirements of the stock condition survey and over 30 years has been estimated at £129 million.

It has been assumed that any necessary work to ensure properties continue to comply with the Decent Homes Standard will be carried out within major repairs programmes.

The Business Plan also contains amounts per annum of £20k per annum to enable tenants to improve elements of their homes in advance of programme dates; this will be done through the use of Home Improvement Vouchers.

A summary of the proposed investment in major repairs appears under Operational Considerations. A detailed breakdown of proposed programmed expenditure appears within **Annex 2**.

Improvements and Other Capital Spend

The capital programme in 2014/15 amounts to £625k with expenditure planned on property extensions; off street parking; remodelling sheltered housing schemes and disabled adaptations. We have also made provision of £350k for a new housing IT system.

£200k per annum has been included in the Business Plan for the remodelling of sheltered units. An assessment of the properties concerned is being carried out. When it is complete, an appropriate course of action will be determined. This could involve property adaptation, disposal or reclassification. The expenditure has been phased over the next seven years.

Improvements and miscellaneous repairs and maintenance items amount to £1.078m in 2014/15.

We do have a desire to spend on environmental improvements, such as play areas and car parking improvements, which should be feasible during the Business Plan period.

New build/property acquisitions

We aim to maintain a modest new build programme and acquire properties where appropriate. It is essential that we spend our retained Right To Buy receipts on building or acquiring new social housing otherwise the receipts will have to be paid over to central government with interest. We can however only fund 30% of new build/acquisition expenditure from retained Right To Buy receipts, the balance has to be funded from other sources, such as borrowing or an HRA contribution but we must also ensure that sufficient funds are still available to service the current debt.

The following table shows the amount of expenditure required and the date by when that expenditure must be incurred, the amount that can be funded from Right To Buy receipts and the balance to be funded from other sources. These figures are correct as at 30 June 2014 but will change as further properties are sold and new ones built or bought.

Total Expenditure	Spend by	Funding from RTB receipts	Other Funding
£		£	£
286,734.50	30 Sept 2015	86,020.35	200,714.15
638,146.77	31 Dec 2015	191,444.03	446,702.74
1,463,895.70	31 March 2016	439,168.71	1,024,726.99
2,290,963.57	30 June 2016	687,289.07	1,603,674.50
3,095,916.87	30 September 2016	928,775.06	2,167,141.81
4,033,084.20	31 December 2016	1,209,925.26	2,823,158.94
4,480,845.73	31 March 2017	1,344,253.72	3,136,592.01
5,615,638.90	30 June 2017	1,684,691.67	3,930,947.23

We will need to consider the affordable rent regime for new build to cover the costs of development. It is likely that development will only be viable on land owned by the Council. Specific development proposals will be reported to the Housing Review Board for consideration and approval and the Business Plan amended to reflect future commitments. We will work to a Development Statement which contains a set of development principles.

Funding

Borrowing

The Business Plan shows borrowing of **£84,376,000** from year 1. Servicing this debt effectively replaces the HRA subsidy payment previously made each year.

The source of the borrowing is the Public Works Loans Board. The Business Plan shows that a number of fixed interest rate maturity loans (24) have been taken out, with repayments of principal and interest. We used the opportunity to borrow at low interest rates as part of the reform of the HRA. The average interest rate is 2.99% with short term loans at 0.75% and long term loans at 3.46%. The largest loan is £8,892,000 and the smallest £205,844 with the earliest loan repaid in 2015.

We have profiled the debt so when the HRA generates sufficient resources we are able to make repayments. The programme of investment that the Council proposes to make in its housing stock includes major elements of work scheduled for the first few years.

We had some existing borrowing taken out for new build in March 2011 amounting to £646k. This is an annuity loan and the balance outstanding as at 31 March 2014 is £631k.

Over the thirty years of the Business Plan, sufficient cash should be generated to meet all investment requirements and ambitions for new build/acquisitions. However, because the pattern of expenditure is not even between years, there could be a need to borrow funds and/or use surpluses which would be repaid in later years.

Capital Receipts

The Business Plan makes no assumptions regarding possible capital receipts from the sale of assets owned by the housing service, for example vacant land adjacent to Council housing properties or payments from the release of covenants..

Such receipts when they arise will be used for capital or major repair projects within the Housing Revenue Account.

We will consider the selective disposal of properties that are not fit for purpose and cannot be improved at reasonable expense.

Right to Buy receipts will make up the main areas of receipt and we have assumed 20 sales per annum throughout the Business Plan with a valuation of £145k and a discount of £75k.

Since the launch of the Government's 'Reinvigorating Right to Buy' policy which became effective from April 2012, we have seen an increase in council house sales from 3 or 4 per year to 20+ per year.

We have signed up to an agreement with the Department for Communities and Local Government to retain and reinvest the receipts from the Right to Buy into new social housing and that the receipts will represent no more than 30% of the cost of development/acquisition. There is an interest rate penalty if we fail to spend the receipts, at 4% above base rate.

Operational Considerations

Council Housing Development Plan

Greater consideration is being given to how we might better plan to secure more property so that it can be added to the Council Housing stock and how we might be best placed to exploit any opportunities that enable the council to provide more council housing to meet its

housing need. This is becoming more pertinent as the council sells more council homes – current rent loss is approximately £370,000 per annum.

Identifying housing need allows us to establish an order of priority. The greatest area of need may inform how we decide to allocate funding, resources etc. At the moment the greatest need is in the Exmouth area.

Simply purchasing individual property as and when it becomes available is not good value for money and is not going to meet the current rate of RTB disposals or make any significant headway in addressing the identified housing needs in the District.

We are aware of a number of larger developments in the area that should provide greater numbers of affordable housing. Our approach will be to try and secure housing units by negotiating with developers/providers and being their 'preferred' partner. To do this we must consider funding and be in a position to act as and when an appropriate opportunity arises. To compete in this kind of arena requires substantial amounts of money, for example £1million might secure ten properties.

To increase the Council's housing stock we must be in a position to take advantage of opportunities as and when they happen and we need to plan (including financial planning) for the future. We need confidence that funding is available and in place, perhaps as a single 'pot' that can grow year on year subject to conforming with a 'Housing Delivery Plan'. This will enable the council to become pro-active to development opportunities or acquisitions and compete with Registered Providers in the market.

Acquiring property direct from a developer appears to provide better value for money than buying 'off the shelf' or building council homes on our land. Buying from the open market is a quick fix but it isn't going to secure enough property to match or exceed the current rate of Right to Buy sales.

Ideally a minimum of £1m per year is required to deliver our development aspirations although this sum is not included in the 2014/15 budget. In order to do this we will have to consider borrowing as well as other funding sources such as HRA reserves or surpluses to take advantage of opportunities when available.

Major Repairs and improvements

The Council is committed to continuing high levels of investment into maintaining and improving the condition of the housing stock. The major repairs budget is a key element of the Business Plan and HRA reform allows for additional investment. It has been devised taking into account known stock condition, the notional lifecycles of building elements and tenant aspirations. We are keen that tenants have an increasing influence over the construction and delivery of this programme. The lifecycle assumptions are shown in **annex 3**.

Over the period of the Business Plan, considerable investment in major repairs and replacement of building elements is proposed. The table below shows the main building elements of the programme and broad investment assumptions.

Programme	Description and Investment Assumptions
Window Replacement	The initial programme of PVC window replacements was completed by the end of 2009. To ensure that no windows are over 30 years old, there will be a requirement to start the next programme towards the middle years of the Plan.

Programme	Description and Investment Assumptions
Doors – Front and Rear	All external doors will be replaced giving a maximum age of 30 years. The programme will not need to be restarted within the scope of the Plan.
Kitchens and Bathrooms	The current kitchen replacement programme is scheduled for completion in the next 10 years. At that point, no kitchen will be over 20 years old. The bathroom replacement programme will be accelerated such that no bathroom will be over 30 years old. Both programmes will be maintained such that the age of kitchens does not exceed 20 years and bathrooms 30 years.
Central Heating	The current programmes relating to gas boiler replacements and electric central heating replacements will be maintained through the Plan such that the former are replaced after 15 years and the latter after 30 years. Radiators will be replaced, but over a much longer timescale.
Rewiring	A programme of renewal will be maintained throughout the Plan, but will concentrate on individual elements rather than complete system replacement. An up-to-date provision of smoke alarms will be included in this programme. Properties should have wiring no older than 30 years.
Roofing	Roofing will be the subject of a regular age-based inspection programme, starting at 50 years old. Replacement will be carried out on a condition basis, at which time chimneys will be removed where possible to save on repair costs. No roofs should be older than 80 years.
Interior Structural Work	A small programme of work will be maintained concerned with the improvement and replacement of flooring.
External Structural Work	A small programme of work will be maintained concerned with the improvement and replacement of exterior wall structures. Where necessary, pointing and rendering will be carried out, but the bulk of this work will be done at the time of external painting, the cost being included in the cyclical maintenance programme.
Paths	No major programme of work will be maintained, with patch and repair work being carried out under the responsive maintenance budget.
Boundaries	A small programme of work will be maintained concerned with keeping walls, fences and gates in an acceptable condition rather than replacing them.
Drainage and Mains	There is sufficient provision under responsive maintenance to cover repairs as they become necessary. In the light of experience, it is not judged necessary to put in place a replacement programme.
Woodworm and Damp Treatment	There is sufficient provision under responsive maintenance to cover repairs as they become necessary. In the light of experience, it is not judged necessary to put in place a replacement programme.
Empty Property Repairs	As properties become void, they will be brought up to the current standard in each major category. The annual provision is about 10% higher than in recent years to ensure that the faster replacement of kitchens, bathrooms and doors can be maintained.
Communal Areas	There is a need for an annual programme of improvement work.
Fire Risk Assessments	There is a need for a budget to carry out work identified during Fire Risk Assessments that are being undertaken in all flats and sheltered housing schemes.

Stock Condition Data

A review of the Council's stock condition records was undertaken by an external consultancy company in 2010. The information we hold on stock condition was found to be accurate, fairly reflecting the condition of the stock, and up to date. The cost of implementing the stock condition survey findings are summarised and shown in **annex 4**.

The Executive Summary of the survey findings are shown in **annex 5**.

As in the past, the Council will maintain its stock condition database by inspecting 10% of its properties internally and 20% externally each year.

A replacement IT system, Open Housing, was specified and sourced during 2013/14 and will be installed during 2014/15 and 2015/16. The estimated cost of £350K will be met from the HRA. The database will be populated using the warranted stock condition survey carried out by the external consultancy. It is planned to carry out a new stock survey during the first five years of the Plan.

Responsive Repairs

The Business Plan assumes that, for the first few years, expenditure will be at a slightly higher rate than in recent years. However, after several years a reduction has been assumed, on the basis that the major repairs programmes then coming to a conclusion should reduce the requirement to spend so much on responsive repairs.

The Council has partnering arrangements with building contractors for responsive repairs and works closely with partners to ensure that reported repairs are carried out quickly and to a high standard. We have also undertaken a Systems Thinking review and adopted a purpose – to do the right repair at the right time, for it to be fixed and stay fixed.

In terms of **Operating Principles** we do our best to:

- Fully understand our customers' repair requests.
- Obtain relevant and correct information about the repair at first contact with the customer to ensure detailed identification of work required.
- Make it clear to customers what repairs we will and won't do.
- Give our contractors clear instructions on the work required, contact details and any other relevant information.
- Clearly record repair requests and action taken.
- Focus on getting the repair work done right first time.
- Do the work and only the work required by customer.
- Do the work required on time in one visit and for it to stay fixed.
- Be accountable and responsible for dealing with issues raised by customers and finding solutions to their problems.

The **value steps** in our work that have been subject to the review are:

- Tenant knows how to report a repair;
- Clear record of repair made; works authorised and issued to contractor;
- Contractor contacts tenant to arrange an appointment;
- Work undertaken by contractor within agreed timescale and to standard;
- Work checked by Maintenance Surveyor;
- Tenant completes customer satisfaction form;
- Invoice received, checked and paid.

Performance is carefully monitored against agreed targets. We operate a repairs call centre with dedicated and experienced staff handling reported repairs and passing jobs to our contractors.

Programme and Cyclical Repairs

The two main areas of expense, the maintenance of gas boilers and the external decoration of properties, are proposed to continue at their present rates for the first few years of the Business Plan.

After 2012/13, expenditure on external decoration has been programmed to reduce slightly, resulting in a slight lengthening of the times between the redecoration of some of the properties. Wooden fascias will be gradually replaced by uPVC resulting in a reduction in the external repainting budget requirement. At no point over the thirty years is this planned cycle to exceed five years. This will be reviewed as the Business Plan rolls forward, and adjustments only being made if cost constraints dictate. The Asset Management Plan is shown in **annexes 6 & 7**.

Fire Risk Assessments

The Council has a duty of care to all residents of our flats to ensure that the property is safe and complies with fire regulations and any enforcement notices issued by the Fire Service.

Fire Risk Assessments (FRA) have been undertaken in all blocks of flats over the last two years and each FRA recommends the work required to bring fire safety up to standard.

£50k is included in the 2014/15 budget for this work with an additional £120k for specific work at Dray Court, Exmouth.

Involving Tenants

The Council looks on a high level of tenant satisfaction as a significant indicator of its performance. In recent years, surveys have shown this to be high. The 2012 STAR survey of tenant satisfaction demonstrated very high levels of satisfaction. The Council intends to build on this success by extending tenant involvement and by improving services. We created a Housing Review Board in 2006 that has significant tenant representation, and will develop partnerships already in existence in the shape of the Tenants' Representative Group and Residents' Associations. Another STAR survey is due to take place in 2014.

We have a number of Service Review Groups where staff and tenants work together to improve services and monitor performance. We also have a Tenant Scrutiny Panel that chooses and reviews topics, presenting their findings to the Housing Review Board. The first piece of work was a review and report on the use of community centres.

Widening Choice

The Business Plan allows for improving the Council's commitment to widening choice. The operation of the Choice Based Lettings scheme will be developed further. A single register of all households seeking affordable or social housing will be put in place to provide a single point of access for prospective tenants. A clear and simple approach will be adopted. The 'Welcome Pack' provided to new tenants will be reviewed regularly to ensure that it reflects current good practice. Financial and other incentives will continue to be provided to encourage existing tenants to move to more suitably sized accommodation, enabling the Council to make the best use of its housing stock.

We introduced a new Tenancy Policy in accordance with the Localism Act, with flexible five year tenancies for most general needs tenants from April 2013.

A decoration scheme for qualifying vulnerable elderly and disabled tenants will be introduced from April 2015 whereby two rooms are decorated every three years for a nominal charge.

Charging Affordable Rents

The Council acknowledges that rental levels are a major concern for most tenants. The Plan allows for rent rises that are above the rate of inflation until rent convergence. This follows the guidance given by central government that rents for local authority housing should be at broadly the same level as those charged by other registered social landlords in the East Devon area. Subsequently, rent increases are projected at a lower level; at no point are they projected to exceed the guidance levels of central government. From 2015/16 rent increases will be increased by CPI + 1% in line with the most recent government guidance. The Council will expect tenants to meet their obligation to pay rent on time, recognising that rent arrears and write-offs impinge on the funding available to the housing service as a whole.

The Plan anticipates a high proportion of rent being collected although we have made a higher provision for bad debt rising to 3% of the rent roll. Currently we only consider charging affordable rents on new build properties where it is necessary to make the scheme financially viable. **Annexes 8 & 9** consider projected rent increases over the Business Plan period.

Maintaining Information on Stock Condition

Comprehensive and accurate information on the condition of the Council's housing stock is considered a high priority. Inspections will be carried out on a regular basis; each year 10% of properties will be inspected internally and 20% externally, with the Council's stock condition database being updated accordingly. This will be particularly important in ensuring that no properties fall below the Decent Homes Standard at any point. A further warranted stock condition survey will be undertaken every five years or so. It is planned to carry this out when new stock management software is introduced, which will be ready during the first five years of the Plan.

Investing to Improve

A major programme of investment in Council properties is planned, particularly in the early years of the Business Plan. The most significant investment will be in new kitchens, bathrooms, central heating, rewiring, roofing and doors. The aim is to reduce the maximum lives of individual elements towards those recognised as best practice within the housing sector. A scheme will be maintained to enable tenants to improve elements of their homes in advance of programme dates; this will be done through the use of Home Improvement Vouchers.

Carbon management and affordable warmth

The housing stock is relatively energy efficient at an average SAP of 64. The least favourable results are found in pre-war and non-traditional homes and the highest ratings in flatted accommodation.

However, there is considerable scope for improvements in the energy efficiency of tenants' homes and retro-fitting technology such as solar panels.

We need to budget for these improvements over the life of the Business Plan. £75k has been allowed in 2014/15 as a specific budget for carbon management, and the surplus can be utilised in later years to reinvest in warmer homes for tenants.

Sustaining Property Value

It is planned to improve performance in maintaining properties, either periodically or responding to an immediate need. An appointment system for property repairs will be introduced, and stretch targets for the completion of responsive repairs achieved or exceeded. The partnership arrangements with major contractors will be developed further. It is intended to reduce void and relet times and improve the standard of properties achieved through the investment programme. These measures will contribute towards maintaining the value of our properties.

Improving Housing Services

The Council recognises that it needs to keep under review its management and staffing structure if it is to make gains in the efficiency and effectiveness of its service provision. A review of the way in which performance is monitored will be undertaken, with targets amended where necessary and new ones introduced. During 2014/15 - 2015/16 replacement software will be introduced that will provide an up-to-date system to handle estate management, repairs and stock condition records.

Meeting Support Needs

The Council recognises that the considerable number of elderly and other vulnerable tenants present a challenge in terms of service provision. We will implement a major review of all properties covered by the 'sheltered accommodation' designation. A major programme of upgrades will be progressed costing a potential £3m, excluding inflation, over several years to ensure all homes meet Supporting People standards, are used for other client groups or are decommissioned. The outcome planned is that our sheltered housing stock is fit for purpose and desirable by current and future tenants.

The Council is also determined to meet the changing support needs of its tenants by ensuring that officers have the necessary skills to deal with this.

Achieving value for money

We have an adopted position on value for money.

VFM is a TSA standard that **ensures that we manage our resources to provide cost-effective, efficient, quality services and homes to meet tenants' and prospective tenants' needs**. Our stance on this has been to consult tenants and produce a number of actions to improve our value for money position. We have set out our local interpretation in the Annual Report to tenants.

In practice our embedded VFM approach has the key characteristics, behaviours and processes which are set out under the following headings:

- **governance** – the role of the governing body;
- **financial stewardship** – an increasingly broad range of practices that aim to ensure a social landlords viability;
- **performance management** – ensuring an organisation attains its objectives
- **people** – getting the best out of staff;
- **procurement** – buying goods and services with the optimum price and quality mix;
- **tenant focus** – ensuring services are shaped around *what tenants want* and that service outputs and outcomes are subject to tenant scrutiny.

We have a procurement plan and are active members of Advantage SW, a procurement club of 17 social landlords who have negotiated a range of framework agreements for the supply of building materials that are available to our contractors.

The adopted Value for Money policy is reproduced in **annex 11**.

Enhancing Staffing Skills

It is only through the use of sufficient staff possessing appropriate skills that many of the Business Plan objectives can be achieved. Skill deficiencies will be addressed where they are identified, largely through the development and training of existing staff. We have a service training budget and plan which is reviewed annually. We also have a Housing Apprentice.

The Service had 88 employees in April 2014 although not all are employed on HRA funded activities.

Developing Communities

Placing Council-owned homes in the context of the communities in which they exist is a vital element of the Plan. Encouraging and, where possible and appropriate, facilitating the improvement of the environment on estates is a key on-going aim. Specific programmes will continue at Littleham, Exmouth; St Paul's, Honiton and Millwey Rise, Axminster.

Our successful SWITCH project will be extended and additional resources will be put into community development initiatives as this is seen as a priority by the Housing Review Board.

Affording the Cost

The financial framework provided for the Business Plan ambitions is sound and robust. There will be sufficient funding available to meet all the programmes outlined above. It is planned to repay the self financing loans over the next thirty years.

The HRA surplus builds up rapidly in the Business Plan model and this will be used to meet the Business Plan ambitions. We are not assuming additional borrowing at this stage although that will be reviewed as specific major items of expenditure come forward such as new build projects.

Acknowledging the Risks

Clearly, there are risks that threaten the achievement of key Business Plan objectives. The most obvious is the need to manage a high level of debt and repay loans as planned.

A further significant risk is the constantly changing financial environment and further central government amendments to the housing and benefit legislation.

Despite the risks, the outlook for the Housing Service presented by the Business Plan is essentially one of improvement, both to properties and to services, characterised by a significant change in the way that tenants are involved in the improvement process.

Risks and Sensitivities

Risks Analysis

While it is recognised that it is difficult to plan accurately over a thirty year period with many issues being beyond the Council's control, risks associated with the successful implementation of the Business Plan can be identified. They are examined in this section, using the Council's corporate system to identify the likelihood and impact of risks and control measures to mitigate risks. The scoring system used in assessing risk is as follows:

Severity:	1	Minor
	2	Significant
	3	Serious
	4	Major
Likelihood:	1	Remote
	2	Unlikely
	3	Likely
	4	Very Likely

This process of analysis will be developed further.

Risk	Potential Impact	Risk Severity	Risk Likelihood	Risk Rating	Possible Action
Loans taken out to meet the cost of self-financing of	Loans are the priority expenditure item	3	2	6	Loans kept to the minimum required and

Housing Revenue Account Business Plan 2014

Risk	Potential Impact	Risk Severity	Risk Likelihood	Risk Rating	Possible Action
Council housing	where commitments must be met as the first call on income				negotiated at low/fixed interest rates. Maintain a healthy HRA surplus.
Rents do not rise or are not collected as anticipated due to Welfare Reform and/or other factors.	Less funding is available to finance Business Plan priorities.	3	3	9	Provision made for increased bad debt. Welfare Advisors appointed. Promote Credit Unions and use of Discretionary Housing Payments.
Right to Buy receipts exceed predictions which need to be reinvested	We cannot afford to commit the 70% funding towards the 30% RTB receipts on new build/acquisitions	2	2	4	Cancel the agreement with the CLG and repay receipts with interest.
Right to Buy sales are lower than planned.	Less funding is available for the housing service.	1	2	2	Costs could be reduced, probably in the major repairs area. Loans could be increased.
Loss of Supporting People income and/or a cut in the funding for the community alarm system.	Service run at a deficit and/or service standards reduced.	3	3	9	New business generated and/or service charges increased.
The programme to bring sheltered housing up to fit for purpose standards.	Poor quality sheltered housing that becomes less desirable with tenants.	2	2	4	Reschedule costs, bid for external funding reprioritise work planned.
The cost of maintaining the planned cyclical repairs programme exceeds budget.	Costs are greater than planned.	3	2	6	Costs in other areas could be reduced. Loans could be increased.
The achievement of the major repairs programme proves more expensive than anticipated.	The planned age and condition criteria of certain building elements may not be achieved.	3	3	9	Programme items may need to be postponed or lengthened. Expenditure in other areas may need to be cut back, threatening other plan objectives. Additional loans may be taken on to ensure slippages do not occur.
The demand for responsive repairs exceeds planned levels.	Costs are greater than planned.	3	2	6	Costs in other areas could be reduced.
Failure of responsive repair contractor.	Interruption to service and urgent repairs delayed.	3	3	9	Other partnering contractor takes over the area.
Changing cost of borrowing.	Less funding available for improvement work.	3	2	6	Reschedule borrowing and/or work programmes.

Risk	Potential Impact	Risk Severity	Risk Likelihood	Risk Rating	Possible Action
Decent Homes Standard raised significantly.	Additional unplanned costs to be met from Business Plan.	3	2	6	Business Plan to be reviewed in light of changes.
Unforeseen expenditure required on Council homes.	Affects other programmes or borrowing required.	3	2	6	Programmes in other areas adjusted to compensate.
New development schemes, locally and nationally creating labour shortages.	Increased demand for tradesmen, resulting in an increase in repairs and improvement costs	3	2	6	Other costs could be reduced.
Ability to attract and retain suitably qualified housing staff.	Service targets and improvements not delivered.	3	3	9	Ensure that recruitment packages are attractive.
Housing staff lone working	Staff at risk of violence or injury.	2	2	4	Policies in place to mitigate the risk and Home Safeguard monitoring.

Sensitivity Analysis

Sensitivity analysis is a useful technique when attempting to determine the impact the actual outcome of a particular variable will have if it differs from what was previously assumed. For example in any budgeting process there are always variables that are uncertain. Future income projections, interest rates, inflation rates, operating expenses and other variables may not be known with great precision. Sensitivity analysis asks the question, if these variables or assumptions deviate from expectations, what will the effect be on the business model?

We have identified the assumptions that may change over time or due to factors beyond our control and considered how a variation will impact on the Business Plan Operating Account.

Assumption	Variation	Impact on the Operating Account Over 30 Years
Rental Income	Average rents increase by 0.25% less than anticipated	Reduced income which in turn reduces the surpluses arising over the life of the Plan
Rent arrears	Increase in arrears by more than the 3% assumption	Reduction in income leading to reduced surpluses arising over the life of the Plan
Supporting People income	Loss of 100% of Supporting People income	Significantly higher costs due to funding of service by HRA leading to reduced surpluses over the life of the Plan
Interest rate changes	Change in interest rate by 0.5% more than anticipated	Increased cost of borrowing which impacts on our surpluses arising over the life of the Plan
Inflation	Inflation exceeds the assumption by 0.5%	Paying more for staff and materials may necessitate finding savings

		elsewhere in budgets or the use of surpluses
Major Repairs	Costs increase by 0.5% more than anticipated	Higher expenditure reduces surpluses arising over the life of the Plan
Responsive and Cyclical Maintenance	Costs increase by 0.5% more than anticipated	Higher expenditure reduces surpluses arising over the life of the Plan
Management	Costs increase by 0.5% more than anticipated	Higher expenditure reduces surpluses arising over the life of the Plan
Right to Buy Sales	Ten or more additional home sales per year than anticipated	Increased level of capital receipt available but additional pressure to increase stock

Operations

Statement of Services

The Housing Service includes all the activities undertaken under the Housing Revenue Account, but has a wider remit than the activities contained in the Business Plan. The fundamental purpose of the Service is to improve the availability and quality of housing for those most in need.

We aim to ensure that an affordable home is available to all households in the district, that each home is adequate in size and suitably located for the occupants, and that homes will be continually improved in quality.

The Service aspirations for tackling expressed housing need within the district remains high and can be summarised into five broad themes :

- Housing needs in the district are accurately gauged and that adequate housing accommodation is available to meet those needs;
- There is choice of tenure throughout the district and in particular, an adequate supply of affordable housing;
- Housing accommodation across all tenures in the district attains the highest possible standards;
- The Council's enabling role is developed further, involving partnerships with other agencies to meet housing need within the district;
- The Council meets its statutory obligations and adopted housing policies, whilst providing a high quality housing service.

Organisational Structure

The Housing Service was restructured in May 2011 with the Service being split into four teams. The major areas of activity are shown in the following diagram:

Housing Revenue Account Business Plan 2014

Private Sector Housing Team	Housing Landlord Services Team	Property and Asset Team	Housing Needs and Strategy Team
Private sector housing conditions Empty property assessment Houses of Multiple Occupation Disabled Facilities Grants Energy efficiency measures Caravan and camping sites Gypsy and Travellers Private sewer and rural drainage Private Water Supply Regulation Home Improvement Agency Discretionary loans assistance for renovations	Estate management Tenancy sustainment Income management (rents, service charges) Tenant involvement Right to Buy Community development Support services (Mobile Support Officers) Home Safeguard The HRA Business Plan	Repairs and maintenance Programme/modernisation work Annual and cyclical works Gas safety Lift maintenance Adaptations Procurement Contract management Stock condition Asset management	Homelessness Housing advice and options Allocations/lettings/nominations Housing research and information Housing register Tenancy termination and 'sign up' Housing enabling Council own build Housing strategy Housing projects

Additional services are provided from the Council's support services relating to human resources, information technology, legal services, internal audit and finance.

A Housing Review Board was introduced in 2006. The Board is a body comprising Councillors, tenants and independent representatives; it is serviced by Council officers and, as occasion demands, external advisors. Tenant Scrutiny was introduced in 2011 and this will include scrutiny of income and expenditure plans.

The Board will advise the Council's Cabinet on all matters relating to the landlord aspects of the housing service. It will be responsible for informing the Cabinet on progress made in the delivery of the Housing Revenue Account Business Plan and for advising it on how the Plan may best be delivered.

Performance Monitoring Framework

Performance monitoring takes place within the context of the Business Plan. The Plan takes a thirty year view that is rolled forward annually. Although the annual review takes in the whole of the timeframe, detailed consideration is only given to the first few years of the Plan. The annual review must produce a Plan that is not only realistic and viable, but also conforms to limitations imposed by the Council and by the requirements of central government. The Plan will be based on performance measures, both financial and non-financial. It will be used as the framework for producing the annual budget.

The Head of Housing is responsible for delivering the Business Plan and the annual budget.

Performance Indicators

The Housing Service measures all aspects of its operations, using a range of national and local performance indicators, and Systems Thinking measures. Commitments and local

offers are monitored and an Annual Report to tenants shows customers how we have performed. We will use a dashboard of indicators to monitor our performance on budgets; rent collection; repairs and maintenance projects; complaints and service requests; voids; allocations; local offers/service standards etc.

Where applicable, performance has been compared with other district councils and Registered Providers nationally, although this information is not available for all PIs.

During 2012/13, a review was undertaken of the performance indicators used and the reporting of performance. We will continue to benchmark our performance periodically against other Registered Providers.

Financial Monitoring

Monthly financial statements are provided to managers comparing actual income and expenditure with their budgets. These are at two levels: statements relating to the housing service as a whole, and more detailed statements relating to individual management areas. This allows for close budget monitoring by managers.

Implementation of a new IT system, Open Housing, is currently in progress. This system has greater capabilities for monitoring contracts let and orders placed and will include a process for commitment accounting enabling managers to manage budgets more accurately.

Financial monitoring reports showing significant variations from budgets and identifying corrective action where appropriate are taken to the Housing Review Board on a regular basis.

Staff

Staff Numbers: At the beginning of 2014/15, 80 full time equivalents comprising full time and part time employees were employed in the Housing Service. It is planned to increase staff numbers to ensure the achievement of the key objectives in the Business Plan and Homes and Communities Strategy.

Stress Audits are undertaken periodically. The main themes that emerged were: – A desire for improved communications; Need for better clarity of individual roles and job purpose; Need for improved joint working between Teams in the Service; and a desire for greater praise and recognition. Stress Action Plans are drafted and consulted upon, and implemented in an attempt to resolve the issues identified.

Recruitment and Retention Issues:

Restructuring proposals were implemented in 2011 with the aim of producing a staffing structure better suited to meeting current and future service needs. The on-going need to recruit suitably qualified and experienced employees to fill any vacancies will remain a key issue.

As vacancies occur consideration will be given to the best way to deliver the relevant service rather than automatically replacing like with like as this will enable a move to more generic working.

Skills: A review of the skills required to deliver the Plan in its first few years yielded the following needs for the Service:

- Resident involvement
- Generic housing management;

- Technical building maintenance and asset management;
- New build/development;
- Homelessness prevention and allocations housing advice;
- Housing Strategy and enabling;
- Management and leadership;
- Financial and business, treasury management;
- IT, administration, and interpersonal;
- Project management skills.

The Housing Service currently possesses an acceptable level and mix of skills, but these will need to be augmented to ensure the provision of a continuously improving service. The issue of staff capacity related to workloads may still prevent the achievement of some aims and targets.

Management and Operations

The main functions and activities that will be carried out by the Housing Service over the period of the Plan are:

- **Senior Management** – The oversight of all housing service operations in accordance with the Housing Strategy, the Business Plan, Service Plan and Council policy. The Housing Service Management Team will be a key feature in delivering service improvements.
- **Housing Needs and Strategy** – This includes:
 - Managing the Housing Register of approximately 3,600 households seeking accommodation in East Devon;
 - Making housing assessments;
 - Receiving and investigating homeless applications;
 - Providing housing advice, and operating housing advice surgeries in Exmouth twice a week;
 - Ensuring that vulnerable tenants with special needs are appropriately supported in their homes;
 - Providing a Tenancy Sustainment service;
 - In addition, there are links with the Homelessness Strategy, which involves the assessing of the scale of housing needs, the investigation of approximately 300 homeless approaches each year and the securing of housing for typically 150 homeless households;
 - Responsibility for producing the Council's Housing Strategy which is a document setting out the plans for housing over a three year period. The Strategy considers housing needs and sets priorities and targets for future service delivery. The Homes and Communities Strategy is part of the Council Plan and will be delivered through partnership working.
- **Housing Repairs** – ensuring that the Council's properties are in a good condition and meet the needs of our tenants. This includes the management of:
 - Responsive maintenance;
 - Programmed and cyclical maintenance programmes;
 - Programmes of improvements and adaptations;
 - Ensuring that all properties continue to meet the Decent Homes Standard.
- **Estate/Property Management** – This includes:
 - The management of all Council properties, plus about 750 garages and 14 community centres;
 - Dealing with tenant's complaints, including anti-social behaviour;

- Ensuring compliance with tenancy conditions and that the environment is well maintained.
- **Housing Rental** – Ensuring that tenants are charged the correct rents, and that rents and other charges are paid on time. Provide tenants with a variety of payment options and access to benefits and financial advice.
- **Supported housing** - Including Home Safeguard and the provision of housing for people with support needs. Specifically, this covers:
 - Providing a community alarm service to 1,160 Council sheltered housing units, as well as customers in the private sector; a total of 5,700 customers;
 - The Mobile Support Officer Service, supporting over 300 tenants in their own homes;
 - Scheme Managers service, providing support to about a further 500 tenants;
 - There are links to the Home Safeguard work with housing associations and other service providers to meet the special needs of vulnerable people.
- **Tenant Involvement and Participation** – This includes:
 - Enabling tenants to participate in the management of their homes;
 - Supporting the Tenant Representation Group, Village Contacts, Area Forum meetings, Leaseholder meetings and Residents Groups;
 - Implementing the Tenant Involvement Strategy;
 - Administering the sale of Council homes each year under the Right to Buy scheme.
- **Social Inclusion and community development** - Including race equality and diversity and children's issues – this involves working in partnership to devise and implement policies to ensure that residents are able to play a full and active role in their communities without fear of prejudice or discrimination. The Service will be leading on the Council's role in respect of child protection issues.
- Many but not all these activities are funded through the Housing Revenue Account, which is concerned solely with landlord related activities.

Commitments

The Housing Service recognises that the next few years are crucial ones for the Service. The key issues it identifies to be faced over that period are set out in **Our Commitments to You** document and Annual Report to tenants. The cost of the commitments has been factored into the Business Plan and these are summarised as follows:

Current Local Standards – effective since April 2011

Tenant Involvement and	1.1 – When you contact us we will answer you promptly, listen carefully, and treat you with respect.
	1.2 – When you contact us about issues that are not repairs related we will put you in touch with the right person to answer your query straight away. They will keep you informed of the progress of your case.

Empowerment Standard	1.3 – We will have an easily accessible complaints process for housing. Officers will be able to help you with this on request.
	1.4 – Repeat service requests (excluding repairs) will be logged as complaints by the receiving officer.
	1.5 – Complaints will be monitored quarterly by the Customer Care Commitments Service Review Group, made up of tenants and staff. Feedback will be given in the Annual Report to Tenants.
	1.6 – We will hold meetings at small local venues throughout the district and ensure the right staff attend.
	1.7 – As well as meetings we will use a range of involvement methods which will be widely published. We will listen to what you tell us and make service improvements as a result.
Home Standard	2.1 – We will produce a rolling five-year plan to identify improvement works to our properties, prioritising areas highlighted by the stock condition survey and feedback from the local standards consultation.
	2.2 – We will ensure all our contractors treat you with respect and courtesy. We will monitor the standard of workmanship and aim for a 'right first time' service.
	2.3 – We will introduce a question to ask when you report a repair to establish if there is a repeat repair issue occurring.
Neighborhood and community standard	3.1 – As well as our current local estate walkabouts, we will introduce regular in-depth estate inspections. In 2011 we will pilot this in Honiton and Axminster.
	3.2 – We will engage young people in positive free time activities that help them create positive outcomes for their lives.
	3.3 – We will work with other local agencies to tackle antisocial behavior issues. Incidents reported by EDDC tenants will be monitored by housing officers who will feedback regularly to the person reporting the problem.

Proposed new Local Standards –effective from April 2012

Value for Money Standard	4.1 – We will ensure the Housing Review Board approves the annual Housing Revenue Account budget and monitors expenditure.
	4.2 – We will publish each year what we have spent your rent on, in the Annual Report to tenants.
	4.3 – We will work with the Tenant Representative Group to monitor our services to make sure that they are being carried out to your satisfaction
	4.4 - We will inform tenants of our value for money savings through the Annual Report and the newsletters and set out future plans for savings.
Tenancy Standard	5.1 - We will aim to register your fully-completed Devon Home Choice application form within ten working days of receipt.
	5.2 - We will review housing applications on Devon Home Choice for bands A, B, C, and D every two years.
	5.3 - We will let our properties within twenty-five working days

	to ensure we maximise our rental income.
	5.4 - We will offer an accompanied viewing to all new tenants when we let an empty property
	5.5 - When possible, you will be given the opportunity to take on responsibility for fixtures and fittings left by the previous tenant.
	5.6 - We will let you know how much the rent and other charges of running the home will be.
	5.7 - We will provide you with a number of ways to pay your rent.
	5.8 - We will provide you with a rent statement every six months
	5.9 - We will take swift action against tenants who do not pay their rent.

From April 2013 two further local standards were introduced:

Standard	What this means
We will work in partnership with other agencies and council services to resolve parking, signposting, street lighting and dog fouling issues.	When an issue about persistent dog fouling, ongoing parking problems on an estate lack of street signs or street lighting is brought to our attention we will work with other agencies (Devon County Council, police, antisocial behaviour coordinator, the dog warden and Streetscene) to reach a satisfactory outcome.
We will work in partnership with other agencies and council services to make sure our tenants are aware of the impact of welfare reform.	We want all of our tenants to be fully aware of the changes being implemented by the government. We will do this by providing information in "Housing Matters" our tenant's newsletter, facilitating training and awareness sessions, holding training sessions and writing to tenants individually about changes that will impact on them personally.

Hi Mandy,

It was good to meet you and colleagues yesterday; I hope you found the meeting useful.

As promised I set out below details of our HRA business planning support package:

HRA Business Planning Package	Annual Fee £
Our HRA business plan model which brings together the income and expenditure projections of the authority over a user defined period and shows the resultant position on the revenue account combined with any additional borrowing requirements to meet capital expenditure plans. Our 2016 release includes inputs for the high value sales levy and pay to stay.	4,800
An optional benchmarking service at no additional charge for our user group members, where users can make comparisons with other users over a number of performance indicators. These indicators are driven by the HRA business plan inputs and there are no further data requirements to be part of the benchmarking group. If you do wish to be part of the benchmarking group, we do, however, ask you to confirm that you are happy to share your data with other local authorities.	Nil
Users also receive invitations to our user group meetings which take place a couple of times each year; there are two groups one for the North of England and one for the South. At these meetings we provide some topical presentations but in addition this provides an opportunity for users to discuss issues with other users as well as our consultancy team.	Nil
Where there are regulation or other relevant technical changes, we also issue briefing papers to user group members.	Nil
Our rent model provides 30 year projections of both social rents (with the associated formula rent calculations) including calculations of the average effect of re-letting at formula level and other non-formula related rents. It also provides outputs which can easily be applied to the HRA business plan model. This model is currently being updated for 2016/17 to provide calculations of pay to stay rents for inclusion in the new business plan model. The cost of the Rent Model is £2,200 plus VAT but if you subscribe to the HRA business plan user group the rent model is provided at an annual fee of £1,100 plus VAT.	1,100
Our RTB model uses the sales and other data of the authority as applied to the pooling returns and provides forward projections of receipts, the application of those receipts and the requirement to spend to use retained receipts or repay (with associated interest costs). It also provides for consideration of voluntary repayment of retained receipts to reduce potential interest charges. Outputs from this model are also easily applied to the HRA business plan model. The cost of the RTB Model is £2,000 plus VAT but if you subscribe to the HRA business plan user group the RTB model is provided at an annual fee of £850 plus VAT.	850
We would expect to update the models at least once a year to adapt to our users' requirements and where there are regulation changes in response to those changes. When we release an update these are immediately available to users as part of their membership and we will support this either by transferring the data for the user or supporting the user in transferring that data. We have a team of local authority housing finance specialists who provide telephone support and we also supply user guidance notes for the models.	Nil

As mentioned yesterday we also expect further modelling to be undertaken during 2016/17 once detailed advice is available regarding the sale of high value vacant properties.

The total package is therefore £6,750 plus VAT. This includes the initial set up of the models and telephone / e-mail support in their use. Any additional project work or on-site support would be chargeable at a daily rate of £1,000 plus expenses and VAT

Please let me know if you would like to join our user group or if there is anything else you require.

Thank you.

I attach our terms of business for your information.

Kind Regards,

Ian Green
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