

**CABINET - 25TH SEPTEMBER 2014**

**Report of the Head of Landlord Services  
Lead Member: Councillor Jane Hunt**

**Part A**

ITEM HOUSING REVENUE ACCOUNT BUSINESS PLAN 2014- 2044  
AND HOUSING ASSET MANAGEMENT STRATEGY 2014- 2019

Purpose of Report

To consider the revised Housing Revenue Account (HRA) Business Plan 2014-2044 and the revised Housing Asset Management Strategy 2014-2019.

Recommendations

1. That the HRA Business Plan 2014 to 2044 attached as Annex 1 be approved.
2. That the Housing Asset Management Strategy 2014 to 2019 attached as Annex 2 be approved.
3. That Cabinet note that resolution 3 of the Housing Management Advisory Board minute 5 (attached as Annex 3) in respect of mobility scooter storage has been carried forward in the action in the Housing Asset Management Strategy Action Plan to develop a Mobility Scooter Storage Policy.
4. That Cabinet note that resolutions 4 and 5 of the Housing Management Advisory Board minute 7 (attached as Annex 3) regarding garage sites have been carried forward in the action in the Housing Asset Management Strategy Action Plan to produce a Garage Sites Management Strategy.
5. That Cabinet note that resolution 3 of the Housing Management Advisory Board minute 7 (attached as Annex 3) in respect of delivery of the Charnwood Standard has been carried forward in the action in the Housing Asset Management Strategy Action Plan to monitor achievement of the Charnwood Standard annually with the decent homes contractor and review investment opportunities in the event the programme is delivered earlier than anticipated.

Reasons

1. To set out the revised financial framework for how the Council intends to meet the investment requirements necessary to deliver the housing service and maintain its HRA properties over the next 30 years.
2. To set out the strategic framework for the next five years within which the Council will manage, maintain and invest in its housing assets and ensure that the revised HRA Business Plan and the Housing Asset Management Strategy are aligned.

3. To enable full evaluation and feasibility of any investment to be through a proposed Mobility Scooter Policy.
4. To ensure best use of the sites through the development of a Garage Sites Management Strategy.
5. To ensure, through an annual review, that if there are opportunities arising from the delivery of the Charnwood Standard before the projected date, these are fully considered.

#### Policy Justification and Previous Decisions

In October 2009 Cabinet approved the Housing Asset Management Strategy (minute 97) to ensure a strategic approach to decision making in relation to the Council's housing assets.

In February 2012 Cabinet recommended to Council approval of a 30 year HRA Business Plan required to deliver the self-financing requirements introduced by the Localism Act 2011. This was approved by Council on 27th February 2012 (minute 75.5) and it was also resolved that the Business Plan would be periodically reviewed and updated.

#### Implementation Timetable including Future Decisions and Scrutiny

This report will be available for consideration by the Overview Scrutiny Group on 22nd September 2014.

The HRA Business Plan covers the 30 year period from 2014 to 2044. It will be reviewed in three years' time, or earlier if there are significant changes to income, expenditure or priorities.

The actual detailed programme for investment in the housing stock will be agreed annually as in previous years with the next scheduled report to Cabinet in March 2015 outlining the 2015/16 housing capital programme for approval.

#### Report Implications

The following implications have been identified for this report.

##### *Financial Implications*

Detailed financial modelling of the HRA Business Plan has been carried out with the Chartered Institute of Housing to project investment needs and resources over the medium and longer term. The key conclusion from the forecast is that there will be sufficient resources to meet obligations towards the housing stock and the housing debt.

Total HRA borrowing at the end of 2013/14 was £82.39m. Additional gross borrowing of £5.99m will be required by March 2018 and total borrowing in March 2018 is estimated to be £86.38m. This is reasonably within the borrowing cap of £88.77m set by government. Reserves will be kept to a minimum of £900k and this is considered reasonable in view of the risks

identified for the potential impact of right to buy and increased bad debt provision.

At its meeting on 13th August 2014, the Housing Management Advisory Board recommended that the Cabinet agree to allocate monies within the HRA Business Plan for the installation of motor scooter storage facilities that meet Fire Authority guidelines at non-sheltered blocks. The Cabinet is advised that there will be funding in the estates improvement allocation in the HRA Business Plan from 2015/16 onwards to finance this and other improvements subject to the normal approval processes and the strategic fit with the proposed mobility scooter storage policy.

### *Risk Management*

The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

<b>Risk Identified</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Management Actions Planned</b>
Insufficient knowledge of current stock causes unknown liabilities	Possible	Moderate	Stock condition information will be updated by carrying out surveys of a sample of properties when void and undergoing repairs inspections or repairs. Programmes will be reviewed annually to ensure information has been accurate and identify any areas of concern to be addressed.
Cost inflation is higher than income inflation	Possible	Moderate	Costs will be monitored as part of ongoing performance management. The Business Plan and its assumptions will be reviewed in three years' time. Risk and impact of cost implication in the first three years is low.
Interest rates rise more than estimated	Possible	Moderate	The risk is in relation to the £5.99m to be borrowed by 2017/18 as all current loans are at fixed rates.
Right to Buy levels increase over estimate	Possible	Major	The Council has signed up to the government scheme to retain a percentage of capital receipts to part fund new build and the Business Plan contains proposals to build 10 units. Right to buy trends will be monitored closely and the HRA balance and borrowing capacity will mitigate major impact. Assumptions will be reviewed annually when setting budgets.

<b>Risk Identified</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Management Actions Planned</b>
Increased bad debts over estimate	Possible	Major	Bad debt levels will be monitored as part of performance management. Annual targets are set for the income collection team. The Business Plan includes proposals to fund an additional Financial Inclusion Officer to assist with benefits take-up and applications and to liaise with Department of Work and Pensions over payment of rent direct to the Council
Government revisits the self-financing settlement	Remote	Major	Government would consult beforehand. The Council would assess implications and respond to the consultation accordingly. Discussions and negotiations with government would take place.
Rent increases are not implemented in accordance with recommended government increases	Unlikely	Major	Funding of priorities and the Charnwood Standard is dependent upon the increases being implemented as recommended. Any changes would necessitate the reworking of investment plans to reflect the reduced income available.
Loss of Supporting People Grant	Highly Probable	Major	Policy for supporting vulnerable tenants and management costs would be reviewed.

### *Equality and Diversity*

The Housing Asset Management Strategy and the Business Plan reflect the needs of vulnerable tenants. It is proposed to increase funding for disabled adaptations to £660K per year from 2015/16 to reflect increased demand. In addition, funding is available to continue the programme of sheltered housing improvements and £4m has been identified for 2017/18.

### *Sustainability*

The HRA Business Plan identifies funding of £2.9m over the next five years to replace central heating boilers with modern systems with low carbon emissions. Funding of £350,000 for loft insulation has also been identified. This will be supplemented by any grant funding that might be available at the time.

Key Decision: Yes

Background Papers: None

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## Part B

### Background

1. The Housing Asset Management Strategy 2014-2019 identifies the strategic priorities for maintaining and developing the housing stock. The HRA Business Plan 2014-2044 identifies the level and sources of funding available to deliver these priorities and provide the housing service to tenants and leaseholders. It is a long term plan covering the next 30 years.
2. This Business Plan updates the previous HRA Business Plan approved in February 2012, reviewing investment, income and expenditure assumptions. The financial modelling in the Business Plan has been carried out by the Chartered Institute of Housing.

### Priorities for the next five years

3. Resources will be available to deliver the Charnwood Standard adopted by Cabinet. This will deliver a much higher standard of accommodation than the decent homes standard and details are to be found in the Housing Asset Management Strategy in Annex 2. There will be no non-decent homes from 2016/17. Now that the backlog of decency has been addressed, resources are also available to deliver tenant priorities of estate improvements, car parking and planned maintenance including painting of communal areas.
4. Priorities are set out in the HRA Business Plan and the Housing Asset Management Strategy and include:
  - £15.759m investment in kitchens, bathrooms and heating in accordance with priorities identified by tenants;
  - Increased additional resources of £0.7m for external and internal painting to enhance the appearance of the estates and communal areas;
  - £0.57m for the installation or upgrading of door entry systems to reduce and prevent anti-social behaviour in communal areas and to ensure that residents feel safe in their homes;
  - £1.1m for improvements to communal areas and estates, including fencing, paths and additional parking to improve neighbourhoods;
  - £0.25m for tenants to spend on priorities identified by tenants' groups;
  - £3.1m for adaptations for disabled, vulnerable tenants, and
  - £4m in 2017/18 to continue the programme of improvements to sheltered housing.

### Consultation

5. The Chartered Institute of Housing carried out a consultation and briefing session for tenants from the Housing Management Advisory Board and the Charnwood Housing Residents Forum on the 4th August 2014. At its meeting on 13th August 2014, the Housing Management Advisory Board received a presentation from the Head of Landlord Services on the revised HRA Business Plan and the Housing Asset Management

Strategy. The relevant minutes from the meeting of the Board can be found in Annex 3.

6. In giving due consideration to the aforementioned resolutions of the Housing Management Advisory Board, the Action Plan for the Housing Asset Management Strategy includes proposals in respect of mobility scooter storage, garage sites and delivery of the Charnwood Standard and recommendations 3,4 and 5 in Part A are made accordingly.

#### Annexes

Annex 1: HRA Business Plan 2014 to 2044

Annex 2: Housing Asset Management Strategy

Annex 3: Extracts from the minutes of the meeting of the Housing Management Advisory Board held on 13th August 2014



# **Housing Revenue Account**

## **Business Plan**

**2014 - 2044**



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## 1. INTRODUCTION

### 1.1 Purpose of the Housing Revenue Account Business Plan

The Housing Revenue Account (HRA) Business Plan sets out how the Council intends to meet the investment requirements necessary to deliver the housing service and maintain its HRA properties over the next 30 years. It also considers opportunities for building new council homes.

It details resources and how the Council plans to use them to deliver decent homes<sup>1</sup> and the Charnwood Standard<sup>2</sup>. The Charnwood Standard will provide higher quality homes compared to the decent homes standard. Investing in homes and neighbourhoods will improve the quality of life for tenants and leaseholders and will also have a measurable impact on the local economy.

This Business Plan covers the period 2014 to 2044 and updates the Business Plan approved in February 2012. The financial modelling has been produced by the Chartered Institute of Housing. The Business Plan considers:

- ◀ the priorities and investment requirements for the Council's housing stock over the next five years in detail;
- ◀ tenant priorities for the capital programme;
- ◀ indicative investment needs for years 6 to 30;
- ◀ opportunities to provide additional units;
- ◀ the sources of funding to deliver the Business Plan.

This is a financial plan which will be used to inform budget setting each year. Budgets will continue to be set annually by Council in accordance with the Council's budget setting process. Assumptions made in this Business Plan will be reviewed as part of this process.

### 1.2 The National Context

In April 2012, the government reformed arrangements for council housing finance and ended the Housing Revenue Account (HRA) subsidy system<sup>3</sup>. Under the previous arrangements, councils had to pay an annual amount from tenants' rents into a national funding system. This reduced the Council's ability to control and influence local spending and reduced resources available to reinvest in the housing stock.

The changes introduced enabled councils to keep their rental income and use it to fund housing stock and estate improvements, as well as providing opportunities to build new homes. This is known as 'self-financing'. The powers to introduce self-financing were included in the Localism Act 2011.

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<sup>1</sup> Appendix 1

<sup>2</sup> Appendix 2

<sup>3</sup> Source: HRA Reform (self-financing) [www.gov.uk](http://www.gov.uk)

Councils whose existing housing debt was higher than the value of their stock had some debt paid off by the government. Councils whose debt was lower than the value of their stock were required to borrow to pay the difference to the government. These payments were based on a valuation of each council's stock, using a 30-year discounted cash flow model of income and expenditure.

As a result, the Council took on a debt of £79.19m under these self-financing rules. This is currently financed by 24 fixed interest loans from the Public Works Loans Board repayable from 2024 to 2061. Repayment is costed into the Business Plan.

The objectives of the HRA reforms were to give:

- councils the resources, incentives and flexibility they needed to manage their own housing stock both in the short and long term and to improve quality and efficiency;
- tenants the information they needed to hold their landlord to account, by creating a clear relationship between the rent a landlord collects and the services they provide.

Councils are allowed to borrow over and above their original debt settlement figures. However, the government has imposed a cap on the overall level of borrowing councils can undertake against their HRA. This was considered necessary to ensure overall levels of public sector spending could be managed and to help reduce the national deficit. The debt cap for Charnwood is £88.77m.

Since the new rules have been in place, the Council has borrowed additional money to finance decent homes. The total amount borrowed at the end of 2013/14 was £82.39m. In order to fund the 2014/15 capital programme it is estimated that additional borrowing of £1.162m will be required.

### **1.3 Remodelling the 2012 HRA Business Plan**

The previous HRA Business Plan was approved in 2012 and showed a positive position but with uncertainties over how the self-financing settlement would materialise. It demonstrated that, in the first few years, finance was available only for the decent homes standard. Assumptions about the level of resources within the plan have been made and are covered later in this document.

The Business Plan 2014 – 2044:

- shows the sustainability of the existing housing stock and that it can be maintained to a high standard;
- shows how viable current plans are in the long term;
- identifies that there should be money available for investment in new homes and investment in existing stock and services – and where that money comes from;
- Reflects tenants' priorities.

Forecasts have been subject to a series of sensitivities to test resilience to changes in financial conditions. These highlight the investment potential within the plan. Work has then been undertaken to develop a range of different scenarios for investment. Scenarios have been informed by a detailed investigation into the housing stock base through the asset management database.

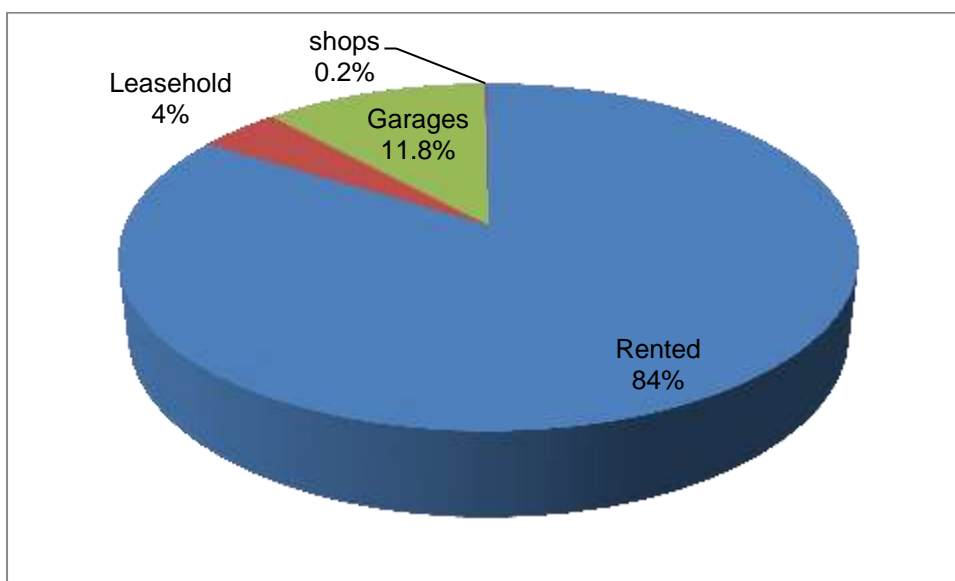
#### 1.4 Stock Numbers

The Council owns a total of 6,075 dwellings, plus garages and shops as shown below. The majority (84%) is rented dwellings. Leasehold properties account for 4% of the housing stock.

Type	Number
Rented dwellings	5,784
Leasehold dwellings	291
<b>Total dwellings</b>	<b>6,075</b>
Garages	807
Shops	14
<b>Total units</b>	<b>6,896</b>

*\*end of March 2014*

#### Stock composition March 2014



## **2. DELIVERING THE COUNCIL'S VALUES AND CORPORATE PLAN**

The Council's Corporate Plan for 2012 to 2016 is underpinned by the values of

- ◀ putting the customer at the heart of everything we do;
- ◀ working together as one council and in partnership;
- ◀ taking pride in Charnwood and always striving for improvement.

The HRA Business Plan 2014 to 2044 supports the delivery of these values by investing resources into housing stock and neighborhoods over the next five years. Now that the backlog of non-decency is coming to an end, investment in communal and estate improvements is now possible under the HRA self-financing regime. There are also opportunities to build new housing.

Tenants have told us that their top priorities are improvements to kitchens, bathrooms and heating. The priorities proposed for investment to deliver the Council's values for the next five years, therefore, are:

- ◀ £15.759m investment in kitchens, bathrooms and heating in accordance with priorities identified by tenants;
- ◀ Increased additional resources of £0.7m for external and internal painting to enhance the appearance of the estates and communal areas;
- ◀ £0.57m for the installation or upgrading of door entry systems to reduce anti-social behaviour in communal areas and ensure residents feel safe in their homes;
- ◀ £1.1m for improvements to communal areas and estates, including fencing, paths, additional parking and storage to improve neighbourhoods;
- ◀ £0.25m delegated to tenants for them to spend on priorities identified by tenants groups;
- ◀ £3.1m for adaptations for disabled vulnerable tenants;
- ◀ £4m in 2017/18 to continue the programme of improvements to sheltered housing.

*(current prices – Business Plan model will add inflation)*

## **3. RISK MANAGEMENT AND GOVERNANCE**

### **3.1 Risk Management**

In accordance with the Council's risk management strategy, risk management is embedded within the daily operations of the Council, from strategy and policy formulation through to business planning, general management and operational processes. It is also applied where the Council works in partnership with other organisations and ensures that partnership risks are identified and managed

appropriately.

Risk management focuses on the identification and management of an acceptable level of risk. The Council's risk management team of Directors and Heads and Service meets quarterly to review and identify risk and mitigating actions, ensuring that the necessary mitigation actions are identified and actioned.

The Housing Revenue Account Business Plan risks, together with sensitivities and assumptions that could affect delivery have been identified and mitigating actions identified.

The main risks to the HRA that have potential to affect the delivery of the plan are set out below. Risk management strategies against these are set out in Appendix 5; and a financial sensitivity of the plan is included within Appendix 3.

The main risks identified are listed below.

- Inaccurate stock condition information, resulting in an inaccurate assessment of costs for delivering the Charnwood Standard;
- Cost inflation higher than estimated. However, as well as increasing costs, income would also increase because rent increases would be higher;
- Interest rates higher than estimated – 3.03% has been estimated for the £1.162m that is to be borrowed in 2014/15, and 4% has been estimated for the £4.832m that is to be borrowed in 2017/18;
- Government right to buy policy has increased discounts and this could lead to higher than estimated sales;
- Welfare reform and its impact upon bad debt provision could be higher than estimated;
- Re-opening of the self-financing settlement resulting in the Council being required to borrow more money to pay to government;
- Further changes to rent policy;
- Future government policy changes;
- Loss of Supporting People grant.

### **3.2 Performance Monitoring**

Delivery of targets and actions within this plan will be scrutinised through the existing performance management framework which includes:

- ◀ Monthly performance monitoring;
- ◀ Quarterly performance monitoring by Housing Management Advisory Board;
- ◀ Quarterly performance monitoring of the capital programme by the corporate capital programme team;
- ◀ Council performance and scrutiny mechanisms.

## **4. TENANT CONSULTATION**

Tenants were consulted over priorities for spend as part of the budget setting process for 2014/15 and this included identifying what was most important in terms of investment in homes and estates. Top priorities were kitchens, heating and bathrooms. Now that the backlog of non-decency has been dealt with, tenants wish to see investment in improvements to the appearance of communal areas and estates, including provision of additional parking.

The Chartered Institute of Housing held a briefing and consultation session with tenants on the 4<sup>th</sup> August 2014.

Housing Management Advisory Board considered the priorities for the draft Business Plan and Housing Asset Management Strategy at its meeting on the 13<sup>th</sup> August 2014.

## **5. CHANGES SINCE THE HRA BUSINESS PLAN 2012-2014**

### **5.1 Self-financing**

The introduction of self-financing of the HRA has been completed and subsidy and other grants from government have ended. The Council is now responsible for financing investment in its housing service from a combination of rental income and borrowing, subject to a borrowing cap of £88.77m.

### **5.2 Management of the Housing Stock**

In November 2012, following an options appraisal carried out by the Chartered Institute of Housing, the management agreement with Charnwood Neighbourhood Housing was brought to an end, and since then the Council has managed the housing stock directly. The Housing Management Advisory Board was established by the Council as part of this process, to ensure that tenants remain at the heart of decision making and are able to influence service delivery. Bringing service delivery back in-house saved £0.5m per year. In addition, it has been possible to increase the revenue contribution to capital by an additional £0.45m from 2014/15 onwards.

### **5.3 Reduced levels of non-decency**

At the end of March 2014, non-decency had been reduced to 3.5%, the lowest level reported. There will be no general needs non-decency from 2016/2017 onwards. There is, therefore, now an opportunity for increased investment in planned maintenance (including painting) and other improvements to estates and neighbourhoods in line with tenant priorities. The issues of non-traditional (PRC) stock have also been addressed. More details are shown in the Housing Asset Management Strategy.

## **5.4 The Charnwood Standard**

In March 2013, Cabinet adopted the Charnwood Standard for investment in its housing stock. This is attached in Appendix 2. This is an enhancement on the decent homes standard and will deliver improved quality of accommodation for tenants. The costs of delivering the enhanced standard are financed within the Business Plan. It is proposed that £25m will be spent over the next five years.

## **5.5 Reduced rental income**

Government has changed the rent setting formula and only void properties will move to the formula rent level. As a result, the Council has reduced its estimated rental income in the region of £0.5m per year from 2015/16 onwards.

## **5.6 Changes to the Right to Buy**

In July 2014, the maximum right to buy discounts increased to £77,000. The Council sold 39 properties in 2013/14. It is estimated that 45 properties will be sold in 2014/15 and 40 per year for the next five years. The Business Plan will be reviewed in three years' time to identify any further pressures from the right to buy.

## **5.7 Opportunities for New Build**

The Council has signed up to the government's right to buy receipt retention scheme and will retain additional capital receipts of up to £0.5m which must be spent on delivering new housing by the end of March 2018. Finance of £1.5m is provided for within the Business Plan to deliver 10 new build units. Under the scheme, the retained receipts will fund 30% of the costs.

However, the scheme is due to run only until March 2015 and there has been no consultation or information from government on what the arrangements will be from April 2015 onwards. At this stage, therefore, no further provision has been made within the Business Plan for more new build using the scheme. This will be addressed when the Business Plan is reviewed in 3 years' time.

## **6. INVESTMENT LEVELS IN DWELLINGS AND ESTATE IMPROVEMENTS**

### **6.1 Charnwood Standard Delivery Plan 2014 to 2019**

Over the next five years it is proposed that £25m be invested to bring all homes up to the enhanced Charnwood Standard. By the end of 2016/17 there will be no non-decent general needs properties. The investment plan is summarised in the table that follows.



Description	Total investment	Total units
Electrical upgrades	£4,079,700	1360
Kitchens	£8,386,700	2396
Bathrooms	£4,469,500	2125
Heating	£2,902,700	724
Windows	£90,000	27
Doors	£1,574,700	1578
Roofs	£1,503,100	300
Structural	£1,270,000	210
Asbestos	£425,000	477
Carbon monoxide & smoke alarms	£328,000	1925
Insulation	£350,000	1166
<b>Total</b>	<b>£25,379,400*</b>	

\*current prices – Business Plan model adds inflation

The Business Plan identifies that £92.46 million is required over years 6 to 30 to maintain the Charnwood Standard and this is affordable and costed into the Business Plan.

Demand for disabled adaptations continues to rise and resources have been increased with £3.1m being available over the next five years. This supports the Council's key priority of supporting vulnerable tenants.

Over the next five years £1.1m will be available for improvements to communal areas and estates. This will include fencing, paths, additional parking and storage to improve neighbourhoods.

## 7. FINANCIAL STRATEGY

Detailed financial modelling has been developed with the Chartered Institute of Housing to support this business plan. Using the HRA budget for 2014/15 and the investment for the 30 year capital programme, the three key conclusions from the forecast are:

- There will be sufficient resources both in the short and long term to meet obligations towards the housing stock, the housing debt and deliver tenant priorities;
- The availability of resources to meet these obligations should be relatively resilient to changes in financial conditions;
- There will be additional resources arising in the medium to long-term within the business plan which can be reinvested in meeting more priorities.

The business plan baseline forecast model utilises the budget for 2014/15 as the basis for forecasting revenue expenditure and income forward over 30 years, but with the opening balances adjusted to the latest audited figures. The capital

expenditure is based on the asset management database outputs for 2014/15 with year 1 matching the latest capital programme projections.

Core inflation within the plan is forecast to be 2.5% for non-rental income (excluding supporting people grant). Rental income is discussed later in this section.

In projecting forward over 30 years, assumptions have been made around future changes in income, expenditure and stock investment needs. A short commentary on each of the assumptions made within the baseline forecast is set out below.

## **7.1 Property Numbers**

Due to the reinvigoration of the right to buy policy, sale numbers have exceeded those experienced in recent years. It is estimated that 45 will be sold in 2014/15, 40 for the next 4 years and then gradually downwards.

As the Council has entered into a local agreement with the government for the reinvestment of additional right to buy receipts following the change in discount rates implemented in April 2012, sales will result in resources for reinvestment in new or replacement homes. The sale of the forecast 45 properties will result in an estimated £0.5 million receipt which will be utilised on the 10 new build units we are planning, with the balance of the funding for this project coming from a combination of new borrowing and revenue contributions.

With the higher number of sales, receipts for reinvestment for new homes will continue to accrue and further plans will be required to utilise these. This will be considered when the Business Plan is reviewed in 3 years' time and will be subject to the rules set by government at the time. The current rules on use of right to buy receipts end in March 2015 and new proposals from government are awaited.

## **7.2 Rental Income**

The self-financing settlement and associated debt calculation was based on the government's policy of social rent restructuring. The Council adopted this policy from its inception in 2002 and the financial forecast in the HRA Business Plan 2012 was based on continued progression towards the implementation of target rents.

The government's assumption within the settlement was for convergence in April 2015 (suitably adjusted for authorities like Charnwood where not all properties would reach target by that date).

The government confirmed earlier this year that it would be changing the rent policy for social rent in that the main inflationary driver of RPI (Retail Price Index inflation) plus 0.5%, plus up to £2, would be replaced by CPI (Consumer Price Index) plus 1.0%. Unlike the RPI, CPI does not include mortgage interest or council tax and this usually results in a lower figure.

In addition, following last year's consultation, the ability for convergence has been withdrawn which will affect the rent forecasts from the previous business plan. It is

estimated that rental income will be reduced by £0.5m per year from 2015/16 and this has been costed into the Business Plan.

### 7.3 Void levels

Void levels are estimated at 2.2% for all stock. The resulting rent loss has been costed into the Business Plan.

### 7.4 Bad debt provision

The budget for bad debts (i.e. unpaid rent arrears) has increased to £0.255m (1.17% of rental income) for 2014/15. This will be kept under close review but the financial modelling maintains the provision at this level for the whole plan with a minor increase to 1.25% with the exception of years 3 to 5 which peak at 2%. This peak is due to the introduction of Universal Credit with rent payments being made direct to tenants rather than directly into rent accounts. Direct payment will be possible where arrears occur but it is anticipated it will take time for arrangements to be put in place.

The bad debt provision is summarised below.

Year 1 (2014/15)	1.17%	£255k
Year 2	1.25%	£280k
Year 3	1.75%	£400k
Year 4	2.00%	£468k
Year 5	1.50%	£360k
Year 6	1.25%	£313K

### 7.5 Treasury Management

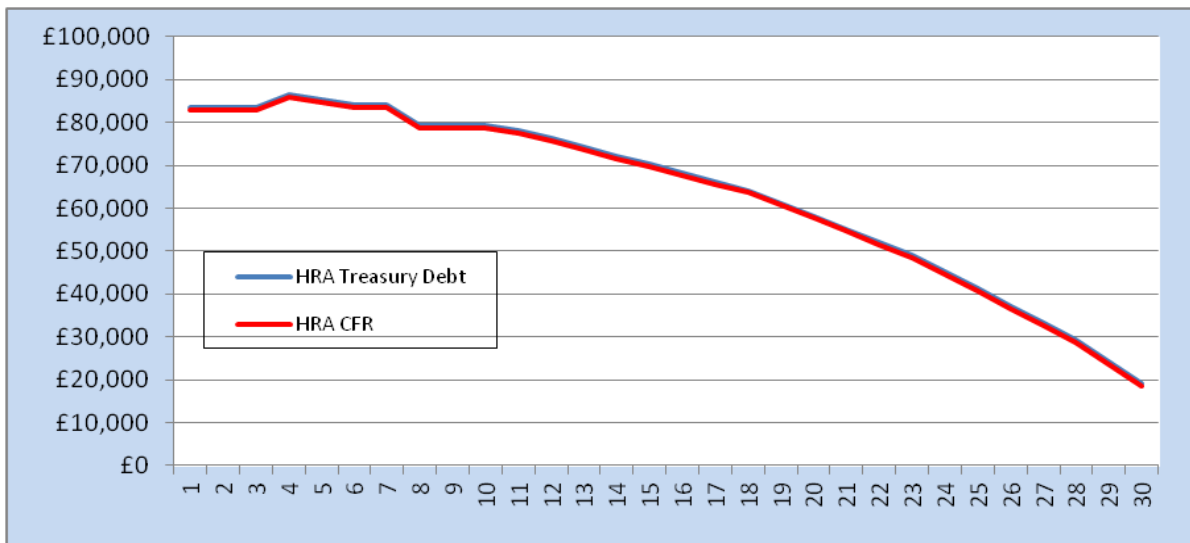
As detailed earlier, as part of self-financing the Council undertook borrowing of £79.19m in 2012. Additional borrowing is required to finance the capital programme and this will total £5.99m by March 2018. This will result in a total HRA debt of £86.38m. Detail is shown in the table below.

<b>Total borrowing at end of 2013/14</b>	£82.39m
<b>Plus new borrowing required by March 2018</b>	£5.99m
<b>Less short term loan to be repaid</b>	£2m
<b>Total estimated borrowing at end of year 5 (Mar 2019)</b>	£86.38m
<b>Borrowing cap set by government</b>	£88.77m
<b>Remaining borrowing capacity</b>	£2.39m

The remaining borrowing capacity is considered necessary in view of the assumptions and sensitivities in relation to the level of right to buy, bad debts and other risks identified in Appendix 5.

The current debt for the HRA is a mix of 26 individual loans (of which 2 are internal) with differing interest rates and repayment dates. Proposed borrowing by way of a further 2 loans as per the cash flow requirements has been included. The loan maturity profile is demonstrated in the following table.

### 7.5.1 Treasury Loan Maturity Profile £'000



Over the next 30 years the current loan portfolio will reduce from £82.39m at the beginning of 2013/14 to £19.19million. This chart includes future borrowing necessary to finance and maintain the Charnwood Housing Standard.

The Council will review its approach to treasury and debt management on an ongoing basis and no decisions have yet been taken around the options for financing and refinancing of loans over the 30 years of the plan. It is difficult to predict interest rates going forward and the Council will determine its approach to borrowing and debt at the relevant time when loans become due.

The baseline model within this business plan is therefore based on the implicit assumption of the repayment of loans when they mature.

There are a number of options as to how the Council could deal with debt over the lifetime of the plan – some will be appropriate at some periods and some more appropriate at others. Essentially, as the plan generates resources, one or a combination of the following can be done:

- Repay loans before they fall due – reducing the amount of debt and interest costs, and increasing future borrowing headroom;
- Hold money in reserves – and earn interest income, although currently interest earnings on deposits are very low;
- Invest in new homes, existing stock or services – which could deliver increased rental income, and potentially, therefore, deliver a longer term and higher return on investment, or prevent future expenditure liabilities.

As decisions are taken in the future, the balance between these approaches and the refinancing of debt will need to be sufficiently flexible to respond to the financial environment at the time and positioned to deliver the objectives within the business plan and wider housing/corporate strategies. The Council will therefore continue to

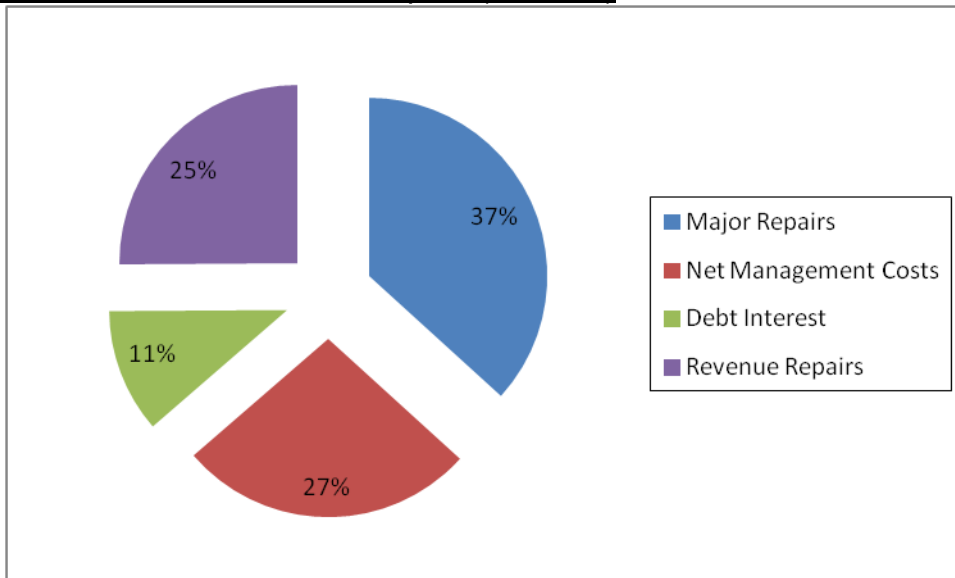
seek expert advice in order to further inform the options for debt management going forward, including identifying whether there are options for cost savings from a more efficient restructuring of the HRA's debt.

As part of the treasury strategy, it is assumed that revenue balances should not fall below £0.9million, allowing for inflation in future years. This is necessary in view of the risks identified in Appendix 5.

## 7.6 Service Revenue Income and Expenditure

The chart below shows the way in which rents and other income for 2014/15 is used:

Breakdown of How Rent is Spent (2014/15)



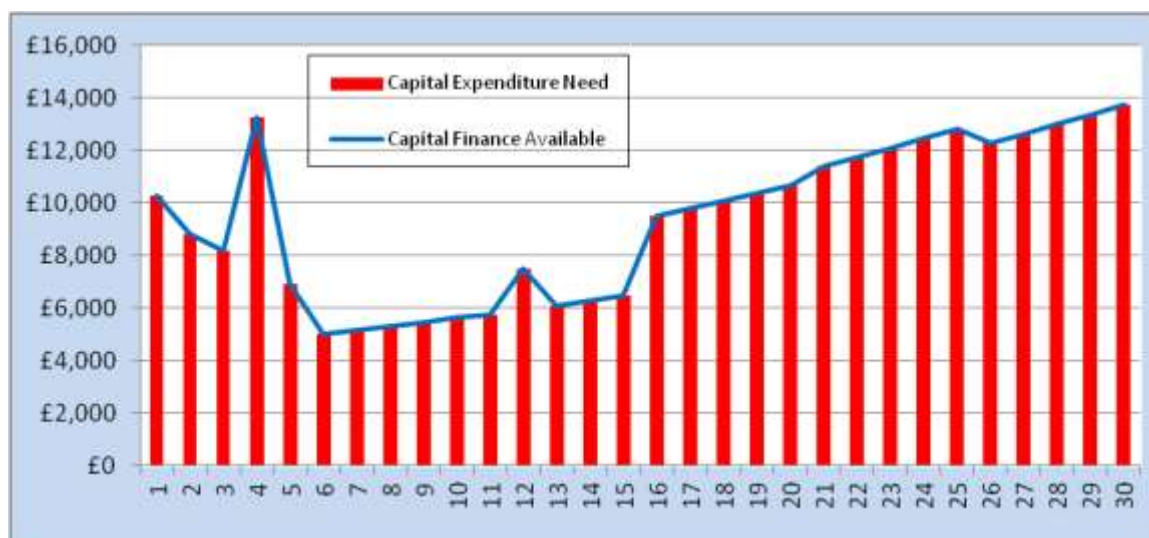
All revenue income and expenditure has been forecast forward based on core inflation only from the 2014/15 budget with adjustments for one-off expenditure items and future known costs that will arise.

The overall outcome of this approach is that the Council plans to control expenditure on day-to-day services to inflation only (with the exception of repairs, and additional investment in tenancy support), whilst rental income increases above inflation. This is vital to the plan as it means that, over time, the amount spent on day-to-day services as a proportion of rental income will reduce and the amount for investment in capital and new homes will proportionately increase.

## 7.7 Capital Investment Needs and Resourcing

Based on the latest capital programme and investment requirements from the Asset Management Database the following chart demonstrates the future spend levels inclusive of inflation, overheads, disabled adaptations and other minor capital spend. It shows that predicted expenditure is fully funded.

## 7.7.1 Capital Expenditure and Financing £'000



The headlines are:

- Planned Capital Investment, including the planned 10 new build units can be fully financed;
- During this period the HRA reserve balances do not fall below £0.9m (inflated);
- Borrowing is utilised up to the value of £5.99m, leaving £2.39m headroom remaining (at its lowest point).

Reserves will be adequate over the 30 years of the Business Plan.

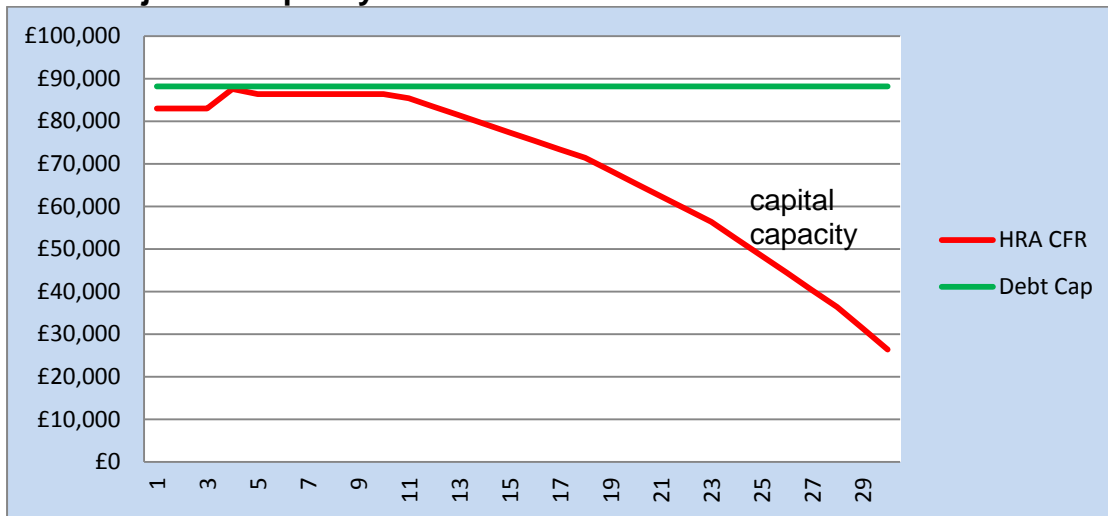
## 7.8 The Short to Medium-Term Resources Available (Years 2 – 5)

With the high levels of investment in the Charnwood Housing Standard and estate improvements, where it is proposed to spend circa £45m (including delivery costs) over the next 5 years (from 2014/15 and with inflation), there is little scope for significant additional investment, other than that already identified in the Business Plan.

Reviewing the resources available for the next 5 years (2014/15 to 2018/19), HRA balances will be at or over their minimum reserve level of £0.9m. However, the borrowing headroom reduces to a minimum of £2.39m in 2017/18.

In future years, once the Charnwood Housing Standard has been achieved, the capacity of the plan for additional expenditure increases. This is shown in the table below for both the HRA and borrowing headroom over the next 30 years.

### 7.8.1 Projected Capacity Available £'000



The above chart shows the difference between the HRA capital requirement and the debt cap as being the future capacity to carry out additional capital works whilst staying within the borrowing limits. (The difference between the green line and the borrowing cap (red line) which is reducing as debt is rescheduled to be repaid).

The above available resources may well be restricted in terms of the key risks that the HRA faces in terms of the impact of welfare reform and other factors. The sensitivity section below demonstrates the potential impact to the HRA and the available resources.

The Council will continually revisit and update this business plan in terms of developing its forward strategy, including the asset management strategy, and how to make best use of these resources.

### 7.9 Sensitivity to Changes in Assumptions

Whilst the plan makes assumptions about future behaviour of income and expenditure, there are consequences if these do not prove to be accurate.

In order to show the sensitivity of the business plan forecast to changes in assumptions and financial conditions, the plan shows below how the forecast for the key outputs change based on some changes to key assumptions, some within the Council’s control, some outside.

The following sensitivities have been modelled:

- Welfare Reform (1): With the proposed phased introduction of Universal Credit and direct payments of rent to tenants rather than directly into the rent account as at present, arrears are anticipated to increase and, therefore, bad debt provision needs to be made for this. This sensitivity assumes the provision will increase from 1.25% to 3% and then back down to 1.5% over the period of 10 years.

- Welfare Reform (2): In this sensitivity the management costs are increased by £60,000 to allow for additional tenancy support (over that provided for), with bad debts not increasing over 1.25s.
- Social Rent Policy: This assumes that the estimated variance of 0.5% between RPI and CPI is greater than 0.5%. Therefore, it is estimated that CPI reduces to 1.5% from the assumed 2%.
- Cost inflation may be higher or lower than 2.5% per year. The two sensitivities show +1% (a) and -1% (b) with CPI equal to this when the reduction is applied.
- If right to buys continue at 45 per annum for the next 10 years and then reduce to 20 per annum.

### 7.9.1 Schedule of the Impacts of Risks and Sensitivities

The table below uses the baseline position with no utilisation of the available borrowing headroom for new build or additional investment in the stock. It shows that the plan is reasonably resilient to changes in assumptions – the only area that would be a major problem for us would be the failure to control cost inflation in comparison to CPI; in effect this is a risk the Council manages well on an annual basis across all service areas. However, the assumptions show that the expenditure in the Business Plan is at risk if rent increases are not kept in line with the current rent policy.

£'million	HRA Bal at Yr 5	Head-room at Yr 5	Capital S/fall	HRA Bal at Yr 10	Head-room at Yr 10	Capital S/fall
<b>Base Position</b>	<b>2.3</b>	<b>3.6</b>	<b>-</b>	<b>23.7</b>	<b>9.6</b>	<b>-</b>
Effect on Balances:						
Welfare Reform (1)	-0.3	-0.6		-0.6	-0.6	-
Welfare Reform (2)	-0.1	-0.2		-0.5	-0.2	-
Social Rent Policy	-0.5	-0.7		-5.0	-0.7	-
Inflation (a)	+0.2	+0.1		+3.2	+0.1	-
Inflation (b)	-0.2	-0.1		-3.0	-0.1	-
Right to Buys	-0.1	-0.1		-2.1	-0.1	-

This means, for example, that if inflation increases by 1% more than estimated, additional resources, of £0.3m, including borrowing headroom, will be available over the next five years, or £3.3m over the next ten years. This is because inflation increases income as rents will be higher than estimated.

Similarly, if right to buy numbers remain at 45 per year, (higher than estimated), then resources would reduce by £0.2m over five years, or £3.3m over 10 years.



## **8. CONCLUSION**

The Business plan shows that there will be sufficient resources both in the short and long term to meet obligations towards the housing stock, the housing debt and deliver tenant priorities. Total estimated borrowing at the end of 2018/19 will be £86.38m, within the borrowing cap of £88.77m.

Account has been taken of sensitivities and risks as shown in Appendices 3 and 5 and the availability of resources to meet the priorities outlined in the Housing Asset Management Strategy 2014 to 2019 should be relatively resilient to changes in financial conditions.

The Business Plan will be reviewed in three years' time - or earlier if there is a significant change in government policy.

## A decent home – summary of the definition

1. The definition of what is a decent home has been updated to reflect the Housing Health and Safety Rating System (HHSRS) which replaced the Housing Fitness Standard on 6 April 2006 and it is helpful to refer to the two volumes of statutory guidance on HHSRS<sup>1</sup>. The general principles of application have been expanded as set out in paragraph 1.4 below and paragraphs 1.5 and 1.6 clarify what properties are covered by the Decent Homes standard. A decent home meets the following four criteria:

### a) It meets the current statutory minimum standard for housing

1.2 Dwellings which fail to meet this criterion are those containing one or more hazards assessed as serious ('Category 1') under the HHSRS.

### b) It is in a reasonable state of repair

1.3 Dwellings which fail to meet this criterion are those where either:

- one or more of the key building components are old and, because of their condition, need replacing or, major repair; **or**
- two or more of the other building components are old and, because of their condition, need replacing or major repair.

Dwellings cannot be non-decent through age of components alone.

"Old" is defined in the guidance and includes:

#### *Non key components*

- ◀ kitchens more than 30 years old.
- ◀ Bathrooms more than 40 years old.

#### *Key components*

- ◀ Walls more than 80 years old.
- ◀ Windows more than 40 years old.

### c) It has reasonably modern facilities and services

1.4 Dwellings which fail to meet this criterion are those which lack three or more of the following:

- a reasonably modern kitchen (20 years old or less);
- a kitchen with adequate space and layout;
- a reasonably modern bathroom (30 years old or less);
- an appropriately located bathroom and WC;
- adequate insulation against external noise (where external noise is a problem); and

- adequate size and layout of common areas for blocks of flats.

1.5 A home lacking two or fewer of the above is still classed as decent, therefore it is not necessary to modernise kitchens and bathrooms if a home meets the remaining criteria.

**d) It provides a reasonable degree of thermal comfort**

1.6 This criterion requires dwellings to have both effective insulation and efficient heating. It should be noted that, whilst dwellings meeting criteria b, c and d are likely also to meet criterion a, some Category 1 hazards may remain to be addressed. For example, a dwelling meeting criterion d may still contain a Category 1 damp or cold hazard.

<sup>1</sup> *Housing Act 2004, Part 1. Statutory Guidance has been given to local authorities under section 9 – the HHSRS Operating Guidance and Enforcement Guidance – and is available from DCLG and at [www.communities.gov.uk/hhsrs](http://www.communities.gov.uk/hhsrs)*

Full definition of Decent Homes is available at  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/138355.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/138355.pdf)

**CHARNWOOD STANDARD****WARM, DRY AND SAFE HOME**

1. Structurally stable, brickwork, render and cladding in a reasonable state of repair
2. Wind and water tight with a roof which doesn't leak
3. An average SAP rating for all stock of 75 (current 69)  
*(SAP is a standard insulation measure)*
4. A minimum SAP rating of 50 (unless prohibited through planning restrictions, or it not technically feasible to do so)
5. Cyclical painting carried out on a 7 year lifecycle
6. Healthy and safe Home
  - Valid periodic electrical safety certificate 5 yr
  - Current gas safety certificate
  - Sealed Lithium Battery smoke detectors
  - Carbon Monoxide detectors fitted in gas and solid fuel heated properties
  - Asbestos survey – Asbestos Management Survey or Refurbishment Survey, subject to existing data & proposed works
  - Inform tenants of results and remove high and medium risk asbestos rather than encapsulate and manage in situ where risks are low or very low.

**MODERN HOME**

1. Building related damp free (linked to condensation, mould free and adequate ventilation)
2. Components renewed to modern day standards in accordance with fixed lifecycles
  - Kitchens – 20years
  - Bathrooms – 30 years for bathroom
  - uPVC or Composite Doors – 25 years
  - uPVC Double glazed windows ( except in conservation areas) – 30 years
  - Boilers – 15 years
  - Full central heating pipework, radiators and electric storage radiators– 30 years
  - Roofs - 50 – 70 years (when required)
- 3 **Internal space standards adequate and fit for modern day living**
- 4 **Flexible Home**
  - Properties individually adapted to meet customer needs where possible after recommendations by an Occupational Therapist from Social Services

## **5 Communal Areas**

- Fire Risk Assessment high and medium risk recommendations completed
- Asbestos survey
- Door Entry system
- Emergency lighting
- Communal Lighting
- Annual Lift Service Certificate
- Legionella testing programme

## **6 Environmental Sustainability**

- "A" rated condensing boilers renewed on a 15 year lifecycle.
- Thermostatic Radiator Valves and/or Room Thermostats
- Programmable Heating systems
- Dual flush WC cisterns
- Low voltage energy saving bathroom and kitchen lighting
- Low voltage mechanical extract fans
- Minimum "C" rated uPVC double glazed windows and doors
- Move from electric to gas heating where possible

## **7 External Environment**

- Safe and Level path access to front door

**ASSUMPTIONS AND SENSITIVITIES**

The table below details the main financial assumptions and sensitivities that the Council has made in preparing the financial plan which support this business plan.

Description	Short to Medium Term	long term
Financing	Opening debt at £82.39m against cap of £88.77m – Planned Borrowing £5.99m against repayment of £3.2m by Yr 5 Headroom of £2.39m	Long term cap £88.77m not fully utilised – headroom £9.01m (at year 10) and increasing as loans repaid
Property changes over the plan	5,784 properties 1/4/2014 with 45 to 40 RTB per annum	10 to 6 RTB per annum
Economic – inflation and interest rates	2.5% core inflation, CPI 2%+1% rent inflation, interest rates start at 5% for new borrowing	2.5% core inflation, CPI 2%+1% rent inflation, interest rates stable at 5% long term except existing borrowing
Rents – convergence	3% of tenancies (reducing balance) re-let at formula rent	CPI + 1%
Arrears and bad debts	1.25% of rents rising to 2% by year 4	1.25% of rents long term
Management costs	2014/2015 budget rising with inflation (2.5%)	Inflation long term at 2.5%
Supporting People Grant	Fixed £491,600 no inflation	Fixed £491,600 no inflation
Repairs costs	2013/2014 budget rising with inflation at 2.5% plus 0.5%	Inflation long term at 2.5% plus 0.5%
Capital profile	Existing programme of Charnwood Housing Standard with 2.5% inflation plus 0.5%	Charnwood Housing Standard on existing stock moving with 2.5% inflation plus 0.5%
Assumptions of efficiencies being delivered	All inflationary pressures above main inflation absorbed	All inflationary pressures above main inflation absorbed
Use of capital resources (RTB receipts etc) and explanation for basis	RTB receipts to General Fund with exception of new build 1-4-1 receipts	RTB receipts to General Fund

APPENDIX 4

**HOUSING REVENUE ACCOUNT  
PROJECTIONS**

Year	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2023-28	2028-33	2033-38	2038-43
	1	2	3	4	5	6	7	8	9	10	11-15	16-20	21-25	26-30
<b>INCOME:</b>														
Rental Income	21,847	22,344	22,869	23,419	24,010	25,064	25,232	25,934	26,681	27,452	150,166	173,159	199,780	230,634
Void Losses	-481	-492	-503	-515	-528	-551	-555	-570	-587	-604	-3,303	-3,809	-4,394	-5,073
Service Charges	459	401	411	421	431	442	453	465	476	488	2,630	2,975	3,366	3,809
Non-Dwelling Income	335	343	352	361	370	379	388	398	408	418	2,254	2,550	2,885	3,265
Grants & Other Income	593	595	598	600	603	606	609	612	615	618	3,175	3,327	3,493	3,673
<b>Total Income</b>	<b>22,753</b>	<b>23,191</b>	<b>23,726</b>	<b>24,286</b>	<b>24,886</b>	<b>25,940</b>	<b>26,127</b>	<b>26,838</b>	<b>27,594</b>	<b>28,373</b>	<b>154,922</b>	<b>178,203</b>	<b>205,131</b>	<b>236,307</b>
<b>EXPENDITURE:</b>														
General Management	-4,922	-5,252	-5,381	-5,515	-5,653	-5,795	-5,939	-6,088	-6,240	-6,396	-34,461	-38,989	-44,113	-49,910
Special Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Management	-67	-69	-70	-72	-74	-76	-77	-79	-81	-83	-450	-509	-575	-651
Rent Rebates	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	-255	-279	-400	-468	-360	-313	-315	-324	-333	-343	-1,876	-2,163	-2,496	-2,881
Responsive & Cyclical Repairs	-6,183	-5,887	-6,066	-6,256	-6,447	-6,672	-6,875	-7,084	-7,303	-7,525	-41,201	-47,861	-55,594	-64,573
<b>Total Revenue Expenditure</b>	<b>-11,427</b>	<b>-11,486</b>	<b>-11,917</b>	<b>-12,312</b>	<b>-12,534</b>	<b>-12,855</b>	<b>-13,207</b>	<b>-13,575</b>	<b>-13,958</b>	<b>-14,347</b>	<b>-77,988</b>	<b>-89,522</b>	<b>102,778</b>	<b>118,015</b>
Interest Paid	-2,768	-2,798	-2,795	-2,887	-2,944	-2,890	-2,873	-2,776	-2,679	-2,679	-12,762	-11,099	-8,646	-5,258
Finance Administration	-14	-14	-15	-15	-15	-16	-16	-17	-17	-17	-94	-107	-121	-136
Interest Received	10	9	21	23	28	74	150	197	250	349	3,048	5,035	6,821	9,225
Depreciation	-4,552	-4,631	-4,714	-4,811	-4,896	-4,987	-5,089	-5,202	-5,323	-5,447	-29,203	-32,785	-36,838	-41,429
<b>Net Operating Income</b>	<b>4,002</b>	<b>4,271</b>	<b>4,307</b>	<b>4,284</b>	<b>4,526</b>	<b>5,265</b>	<b>5,093</b>	<b>5,465</b>	<b>5,866</b>	<b>6,230</b>	<b>37,923</b>	<b>49,725</b>	<b>63,570</b>	<b>80,694</b>
<b>APPROPRIATIONS:</b>														
FRS 17 /Other HRA Reserve Adj	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Provision (HRACFR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Contribution to Capital	-4,500	-4,153	-3,449	-5,090	-3,204	-1,191	-73	-4,941	-143	-177	-11,845	-29,635	-40,686	-45,530
<b>Total Appropriations</b>	<b>-4,500</b>	<b>-4,153</b>	<b>-3,449</b>	<b>-5,090</b>	<b>-3,204</b>	<b>-1,191</b>	<b>-73</b>	<b>-4,941</b>	<b>-143</b>	<b>-177</b>	<b>-11,845</b>	<b>-29,635</b>	<b>-40,686</b>	<b>-45,530</b>
<b>ANNUAL CASHFLOW</b>	<b>-498</b>	<b>119</b>	<b>857</b>	<b>-806</b>	<b>1,322</b>	<b>4,074</b>	<b>5,020</b>	<b>524</b>	<b>5,724</b>	<b>6,053</b>	<b>26,078</b>	<b>20,090</b>	<b>22,883</b>	<b>35,165</b>

**HOUSING CAPITAL  
PROJECTIONS**

Year £'000	2014.15 1	2015.16 2	2016.17 3	2017.18 4	2018.19 5	2019.20 6	2020.21 7	2021.22 8	2022.23 9	2023.24 10	2023-28 11-15	2028-33 16-20	2033-38 21-25	2038-43 26-30
<b>EXPENDITURE:</b>														
Planned Variable Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Planned Fixed Expenditure	-9,447	-7,846	-7,225	-10,627	-5,915	-4,006	-4,127	-4,250	-4,378	-4,509	-24,466	-43,624	-52,835	-56,259
Disabled Adaptations	-549	-660	-660	-677	-693	-711	-729	-747	-765	-785	-4,227	-4,782	-5,411	-6,122
Other Capital Expenditure	0	0	0	0	0	0	0	0	0	0	-1,575	0	0	0
New Build Expenditure	0	0	0	-1,635	0	0	0	0	0	0	0	0	0	0
Procurement Fees	-279	-278	-278	-285	-292	-299	-307	-315	-322	-330	-1,780	-2,014	-2,279	-2,579
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Capital Expenditure</b>	<b>-10,275</b>	<b>-8,784</b>	<b>-8,163</b>	<b>-13,223</b>	<b>-6,900</b>	<b>-5,017</b>	<b>-5,162</b>	<b>-5,312</b>	<b>-5,466</b>	<b>-5,624</b>	<b>-32,048</b>	<b>-50,420</b>	<b>-60,525</b>	<b>-64,959</b>
<b>FUNDING:</b>														
Major Repairs Reserve	4,553	4,631	4,714	2,811	3,696	3,825	5,089	371	5,323	5,447	20,203	20,785	19,838	19,429
Right to Buy Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HRA CFR Borrowing	1,162	0	0	4,832	0	0	0	0	0	0	0	0	0	0
Other Receipts/Grants	60	0	0	0	0	0	0	0	0	0	0	0	0	0
HRA Reserves	0	0	0	490	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	4,500	4,153	3,449	5,090	3,204	1,191	73	4,941	143	177	11,845	29,635	40,686	45,530
<b>Total Capital Funding</b>	<b>10,275</b>	<b>8,784</b>	<b>8,163</b>	<b>13,223</b>	<b>6,900</b>	<b>5,017</b>	<b>5,162</b>	<b>5,312</b>	<b>5,466</b>	<b>5,624</b>	<b>32,048</b>	<b>50,420</b>	<b>60,525</b>	<b>64,959</b>
<b>In-Year Net Cashflow</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cumulative Position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>MRR Account:</b>														
Opening Balance	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Contribution (Depr)	4,552	4,631	4,714	4,811	4,896	4,987	5,089	5,202	5,323	5,447	29,203	32,785	36,838	41,429
Use of Reserve to Capital	-4,553	-4,631	-4,714	-2,811	-3,696	-3,825	-5,089	-371	-5,323	-5,447	-20,203	-20,785	-19,838	-19,429
Loan Repayment	0	0	0	-2,000	-1,200	-1,162	0	-4,832	0	0	-9,000	-12,000	-17,000	-22,000
<b>Closing Balance</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>



## APPENDIX 5 RISK MANAGEMENT

Risks have been classified into the following headings for the HRA Business Plan

Description	Likelihood	Impact	Mitigation and residual risk
Insufficient knowledge of current stock causes unknown liabilities	Possible	Moderate	Stock condition information will be updated by carrying out surveys of a sample of properties when void and undergoing repairs inspections or repairs. Programmes will be reviewed annually to ensure information has been accurate and identify any areas of concern to be addressed.
Cost inflation is higher than income inflation	Possible	Moderate	Costs will be monitored as part of ongoing performance management. The Business Plan and its assumptions will be reviewed in three years' time. Risk and impact of cost implication in the first three years is low.
Interest rates rise more than estimated	Possible	Moderate	The risk is in relation to the £5.99m to be borrowed by 2017/18 as all current loans are at fixed rates.
Right to Buy levels increase over estimate	Possible	Major	The Council has signed up to the government scheme to retain a higher percentage of capital receipts to part fund new build and the Business Plan contains proposals to build 10 units. Right to buy trends will be monitored closely and the HRA balance and borrowing capacity are available to mitigate major impact. Assumptions will be reviewed annually when setting budgets.
Increased bad debts over estimate	Possible	Major	Bad debt levels will be monitored as part of performance management. Annual targets are set for the income collection team. The Business Plan includes proposals to fund an additional financial inclusion officer to assist with benefit take-up and applications and to liaise with Dept. of Work and Pensions over payment of rent direct to the Council.

Government revisits the self-financing settlement	Remote	Major	Government would consult beforehand. The Council would assess implications and respond to the consultation accordingly. Discussions and negotiations with government would take place.
Rent increases are not implemented in accordance with recommended government increases	Unlikely	Major	Funding of priorities and the Charnwood Standard is dependent upon the increases being implemented as recommended. Any change would necessitate the reworking of investment plans to reflect the reduced income available.
Loss of Supporting People Grant	Highly Probable	Major	Policy for supporting vulnerable tenants and management costs would be reviewed.



# Charnwood Borough Council

## Housing Asset Management Strategy



**2014 -2019**

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## EXECUTIVE SUMMARY

This Housing Asset Management Strategy sets out the strategic framework for the next five years within which the Council will manage, maintain and invest in its housing assets. These are the assets owned by the Housing Revenue Account (HRA) and include dwellings, shops and garages, totalling 6,896 units.

Over the next five years, the Council plans to deliver a programme of £42.375m of capital investment to its 5,784 rented dwellings and estates. This includes £25.379m to ensure that all rented dwellings meet the enhanced Charnwood Standard (Appendix 1) providing high quality accommodation far in excess of the decent homes standard (Appendix 2). There will be no non-decent homes by 2016/17.

Having delivered its significant objective of improving council homes, the Council will also be in a position to invest in improving estates and neighbourhoods, using the flexibilities and borrowing capacity provided by the self-financing rules, and outlined in the Housing Revenue Account Business Plan. Investment of £1.1m has been identified over the next five years for communal areas, estate improvements and environmental works, including paths, parking, and fences. Priorities will be agreed with the tenants and leaseholders at the Repairs Scrutiny Group and signed off by the Housing Management Advisory Board so that budgets can be finalised for decisions by Cabinet.

Supporting vulnerable tenants is a top priority for the Council. The disabled adaptations budget has been under pressure from an increasing number of applications and the budget has been increased from £0.35m in 2014/14 to £0.66m per year from 2015/16. A total of £3.1m has been identified for delivering adaptations over the next five years in order to ensure that tenants do not experience delays. This level of demand reflects the fact 37% of tenants in general needs housing (not including sheltered) are aged over 60. In addition, 9% of tenants are aged 55 to 60.

Funding of £569k has been identified for new and improved door entry systems to flats with communal entrances to ensure tenants feel safe in their homes by preventing anti-social behaviour.

This strategy continues the programme of sheltered housing improvements by prioritising £7.151m for sheltered schemes over the next five years. This includes 8 new build sheltered dwellings at the re-modelled Riversdale scheme in Birstall.

Resources are also identified to allow the Council to build council housing by taking part in the government scheme to retain additional right to buy receipts to part fund new units. In addition to the 8 new sheltered units above, and the new bungalow in Longcliffe Road, Shepshed, it is estimated that 10 additional dwellings will be provided over the next five years.

This strategy is complementary to the Housing Revenue Account Business Plan for 2014 to 2044 which identifies the sources of funding to deliver the identified priorities. These investment plans will be used to inform and set budgets and estimates for approval by Cabinet as part of the budget setting process.

All financial figures quoted are based on current prices. The HRA Business Plan will add annual inflation.

## **1. INTRODUCTION**

The Council's previous Housing Asset Management Strategy was approved by Cabinet at its meeting on 29th October 2009 (min 97).

This Housing Asset Management Strategy covers the period from 2014 to 2019. It will ensure that the Council's 5,784 rented dwellings provide a high standard of accommodation, that investment is provided for estates and neighbourhoods and that vulnerable tenants continue to be supported in their own homes.

Stock condition information has been analysed, together with tenant profiling information in order to identify investment needs.

The Housing Revenue Account Business Plan 2014 to 2044 demonstrates that the Council can deliver the priorities in this strategy and delivery high quality homes and estates.

### **1.1 Delivering the Council's values and Corporate Plan**

The Council's Corporate Plan for 2012 to 2016 is underpinned by the values of

- putting the customer at the heart of everything we do;
- working together as one council and in partnership
- taking pride in Charnwood and always striving for improvement

The HRA Business Plan 2014 to 2044 supports the delivery of these values by investing resources into our housing stock and neighbourhoods over the next five years. Now that the backlog of non-decency is coming to an end, investment in communal and estate improvements is now possible under the HRA self-financing regime.

Tenants have told us that their top priorities are improvements to kitchens, bathrooms and heating. The priorities proposed for investment to deliver the Council's values for the next five years, therefore, are:

- £15.759m investment in kitchens, bathrooms and heating in accordance with priorities identified by tenants;
- Increased additional resources of £0.7m for external and internal painting to enhance the appearance of the estates and communal areas.
- £0.57m for the installation or upgrading of door entry systems to reduce anti-social behaviour in communal areas and ensure residents feel safe in their homes.



- £1.1m for improvements to communal areas and estates, including fencing, paths, additional parking and storage to improve neighbourhoods.
- £0.25m delegated to tenants for them to spend on priorities identified by tenants groups.
- £3.1m for adaptations for disabled vulnerable tenants
- £4m in 2017/18 to continue the programme of improvements to sheltered housing

*(current prices – Business Plan model will add inflation)*

## **1.2 Strategy Objectives**

The objectives of the strategy are to:

- Continue to provide quality homes by delivering the Charnwood Standard – an enhanced standard in excess of decent homes.
- Invest to meet current and future needs.
- Continue the programme of improving the quality of sheltered housing.
- Deliver additional investment for a programme of external and internal painting over the next seven years.
- Continue to reduce carbon emissions.
- Support additional tenant priorities for estate improvement works.
- Continue to invest so that tenants feel safe in their homes.
- Have homes and neighbourhoods that are popular places to live.
- Support vulnerable tenants.
- Use assets in an efficient and affordable manner and,

In accordance with the Corporate Plan priorities for 2012-2016;

- “support partners in the provision of Extra Care Housing for an ageing population”

## **1.3 Homes and Communities Agency Regulatory Framework**

As a local housing authority, the Council is bound by the Consumer Standards of the HCA regulatory framework. These cover the “Home” standard which requires the Council to meet the following requirements.

- Ensure that tenants' homes meet the decent homes standard and that properties will continue to be maintained at least to this standard.

This will be delivered by investing £25.379m to deliver the enhanced Charnwood Standard

- Provide a cost-effective repairs and maintenance service to homes and communal areas.

A benchmarking exercise is underway through Housemark to analyse and compare value for money and performance. This will result in an action plan to address issues identified

- Meet all applicable statutory requirements that provide for the health and safety of tenants in their homes.

This will be delivered by investing £2.6m in fire safety, asbestos and legionella management led by a dedicated Compliance Team Manager to ensure priorities are addressed

- Provide an adaptations service that meets tenants' needs

This will be delivered by investing £3.1m in adaptations

## **2. ACHIEVEMENTS AND CHANGES SINCE THE 2009 STRATEGY**

Over the last few years, there have been significant changes that have impacted upon the decisions the Council has made, and will need to make in the future, in relation to the management of and investment in the housing stock. These include:

### **2.1 Charnwood Neighbourhood Housing**

In 2012, the Council appointed the Chartered Institute of Housing to carry out a housing options review and, following consultation with tenants, brought the management of its housing service back in house. This resulted in savings of £0.5m which have been reinvested in improvements to the service and stock. In addition, an extra £0.45m revenue contribution to capital will be made from 2014/15 onwards.

## **2.2 HRA reform**

In April 2012, the government reformed arrangements for council housing finance and ended the Housing Revenue Account (HRA) subsidy system. As a result, councils can now keep their rental income and use it to fund housing stock improvements. This is known as 'self-financing' and was introduced in the Localism Act 2011.

The Council took on a debt of £79.19m under these self-financing rules, financed by fixed interest and fixed repayment date loans.

The objectives of the HRA reforms were:

- To give councils the resources, incentives and flexibility they needed to manage their own housing stock for the long term and to improve quality and efficiency.
- To give tenants the information they needed to hold their landlord to account, by creating a clear relationship between the rent a landlord collects and the services they provide.

As part of the self-financing settlement the government imposed a cap on the overall level of borrowing councils can undertake against their HRA. This was considered necessary to ensure overall levels of public sector spending could be managed and to help reduce the national deficit. The debt cap for Charnwood is £88.77m.

## **2.3 Housing Management Advisory Board**

In 2013, the Council established the Housing Management Advisory Board to promote tenant and leaseholder engagement in decisions relating to the Council's housing stock. Membership consists of four tenants/leaseholders, three Members of the Council, and 1 independent person.

## **2.4 Repairs Scrutiny Group**

In 2013 a Repairs Scrutiny Group of tenants was set up to engage tenants with repairs issues. The group identified priorities for spend for the capital programme for 2014/15. Its current project is to review the void re-let standard and members of the group have been inspecting void properties with a view to reporting and making recommendations on changes later in 2014/15.

## **2.5 Changes to the rent setting formula**

Government has changed its proposal for local authority and housing association (registered providers) rents to converge. It has changed the recommended rent increase formula to the consumer price index (CPI) plus 1% rather than the previous model of the retail price index (RPI) plus 1%, plus up

to another £2 until the target rent is reached. CPI does not include mortgage interest rates and is usually lower than the RPI. Under this new regime, only void properties will have their rent moved to the higher target rent. It is estimated that although stock turnover is 10%, only 3% of these properties will not already have rent at this level. As a result, rent increases will be lower for some tenants and the Council's rental income will reduce by approximately £0.5m per year.

Furthermore the new rent rules which come into effect in April 2015 will allow the Council to charge a rent above the current rent formula for households that earn over £60,000 a year which would have the potential to increase income if adopted.

Currently however the onus is on tenants to self-declare their income and it is estimated that any policy would impact on less than one percent of the current tenant base. It is considered it would also carry the risks of increased right to buy applications or affected tenants choosing to move away thereby potentially destabilising previously balanced communities. This will be kept under review.

## **2.6 Changes to right to buy discounts**

In July 2014 right to buy discounts changed to a maximum of £77,000 increasing each year with inflation. The Council is expecting, as a result, to sell an estimated 45 properties in 2014/15 compared to 39 the previous year – an increase of 15 per cent.

The statutory right to buy one's home applies to the majority of Council tenants and as this is wholly reactive and the council is unable to exercise discretionary controls, this has implications for managing our housing assets effectively, planning future investment and meeting demand.

The impact of increased right to buy is shown in the HRA Business Plan 2014 to 2044.

## **2.7 Reduced level of non-decency and improved quality of accommodation**

At April 2011, 37.13% of the Council's housing stock was non decent. This had reduced to 3.5% by the end of 2013/2014. There will be no general needs non-decency by 2016/17.

The improvement scheme for non-traditional (PRC) housing has been completed with properties in the programme receiving external wall insulation to improve energy ratings. A total of £8.8m has been spent during the period 2010/11 to 2013/14. (This amount is included in the total decent homes spend of £36.2m referred to in section 4.)

## **2.8 Sheltered housing**

At total of £707,639 was invested in sheltered housing improvements from 2011/12 to 2013/14.

Improvement work was carried out to Dudley Court, providing significantly improved quality of accommodation, including the following;

- Installing a lift adjacent to the scheme entrance.
- Remodelling 15 bedsits turning them into 1 bedroom flats with walk in showers knocking through into adjacent storerooms and communal bathrooms, fitting new kitchens, carpets, decoration throughout.
- Creating an internal mobility scooter store
- Creating a new ground floor guest room and a first floor warden office.
- Creating cleaner's cupboards on both ground and first floors and a resident store on the ground floor.

Work also took place at Aingarth sheltered scheme and this included remodelling bedsits into 1 bedroom flats with walk in showers utilising the existing floor space and new heating systems, kitchens, carpets and decoration throughout.

In addition to the above, £3.151m has been made available over 2014/15 to 2015/16 for the remodelling of Riversdale sheltered scheme in Birstall to replace bedsits with 1 bedroom self- contained flats and to provide an additional 8 new build units.

Leicestershire County Council has consulted (July 2014) on a revised prevention model which is likely to see the traditional accommodation based warden model replaced with a much more flexible cross tenure approach to support. A review of the Council's Tenancy Support Policy has therefore been included in the Action Plan.

## **2.9 Phased introduction of welfare reform**

Welfare reform changes implemented to date include the introduction of reduced housing benefit if a tenant has unused bedrooms, and the imposition of the benefit cap. Future changes include the introduction of Universal Credit and the payment of benefit for rent direct to tenants rather than to the Council. The Council has budgeted for increased bad debt provision as a result of the latter, but has kept this to a minimum by ear-marking resources for an additional financial inclusion officer to assist and advise tenants. Details are shown in the HRA Business Plan.

## **2.10 Appointment of new Capital Programme Contractor**

The Council's contract with Keepmoat for decent homes works came to an end in March 2014. The Council's newly appointed contractor, Wates Living Space, has been responsible for all capital works and disabled adaptations since that date.

### 3. HRA ASSET AND TENANT PROFILING

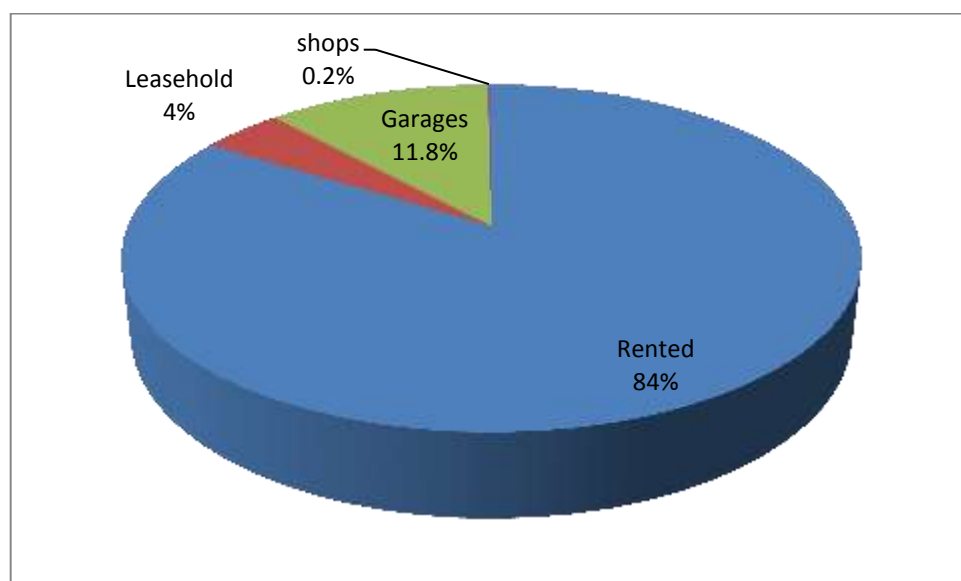
#### 3.1 Total HRA stock

At 31st March 2014 the Council has a total of 5,784 rented dwellings out of a total HRA stock of 6,075. The breakdown is shown below. The majority of stock is rented, with 4.0% of dwellings being leasehold.

Unit type	Number
Rented dwellings	5784
Leasehold flats	291
<b>Total dwellings</b>	<b>6075</b>
Shops	14
Garages	807
<b>Total HRA properties</b>	<b>6896</b>

The pie chart below shows the proportions more clearly.

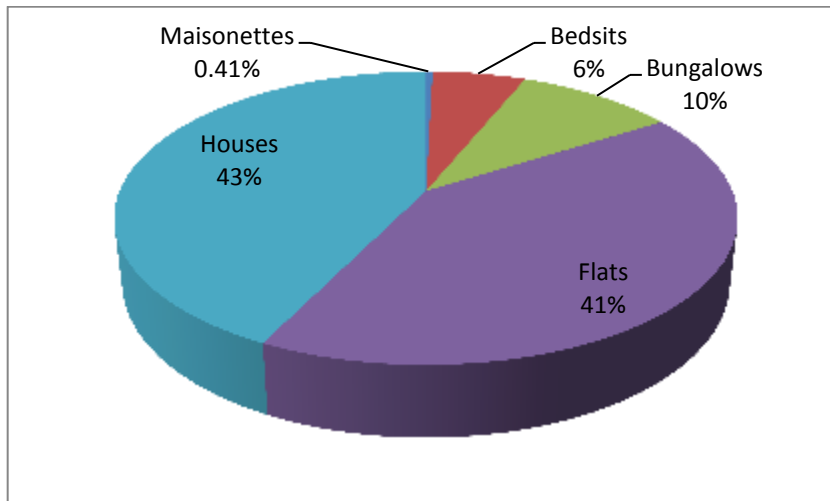
#### Total HRA stock profile



#### 3.2 Property type

The majority of the rented properties are houses and these account for 43% of the total rented housing stock with 2,470 units. This is closely followed by flats which account for 41% of the total rented stock with 2,390 units.

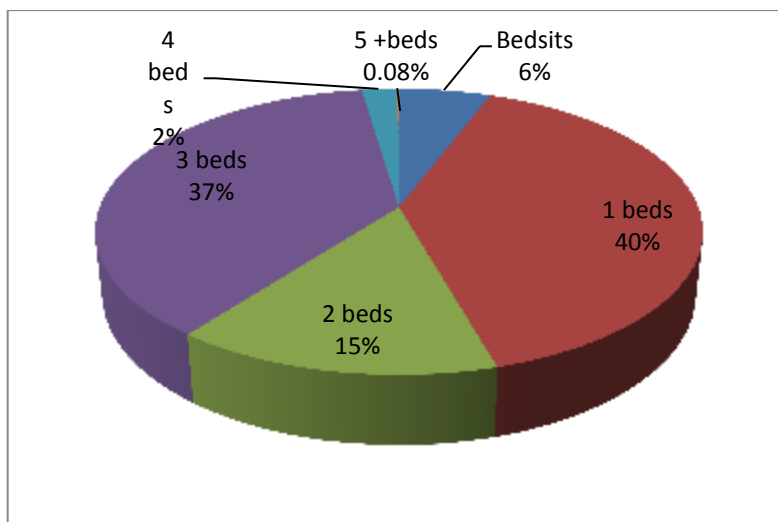
## HRA properties by type



## 3.3 Property Size

The majority of council dwellings are one bedroom properties and these account for 40% of the total rented stock with 2,305 units. This is followed closely by three bedrooms which account for 37% of the stock with 2,152 units. There are 130 four bedroom properties, three five bedroom and two six bedroom. The breakdown is shown in the chart below.

### Rented dwellings by property size



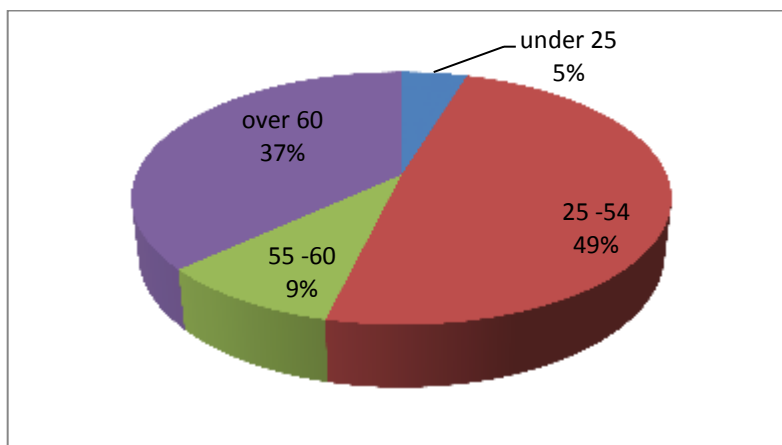
- 77% of one bedroom properties are flats
- 23% of one bedroom properties are bungalows
- 70% of two bedroom properties are flats
- 24% of two bedroom properties are bungalows
- 4% of two bedroom properties are bungalows
- 99% of three bedroom properties are houses

### 3.4 Tenant profiling information

Figures in the pie chart below are for the general needs rented stock, excluding sheltered housing. Sheltered housing has been excluded to assist with assessing demand for disabled adaptations, which has seen an increase over the past year.

The majority of tenants are aged 55 and below (54%). However, 46% of tenants are aged 56 and over. The percentage of older tenants explains why demand for disabled adaptations has increased. To reflect this demand, the budget has been increased to £0.66m per year from 2015/16.

#### Age profile general needs rented housing stock

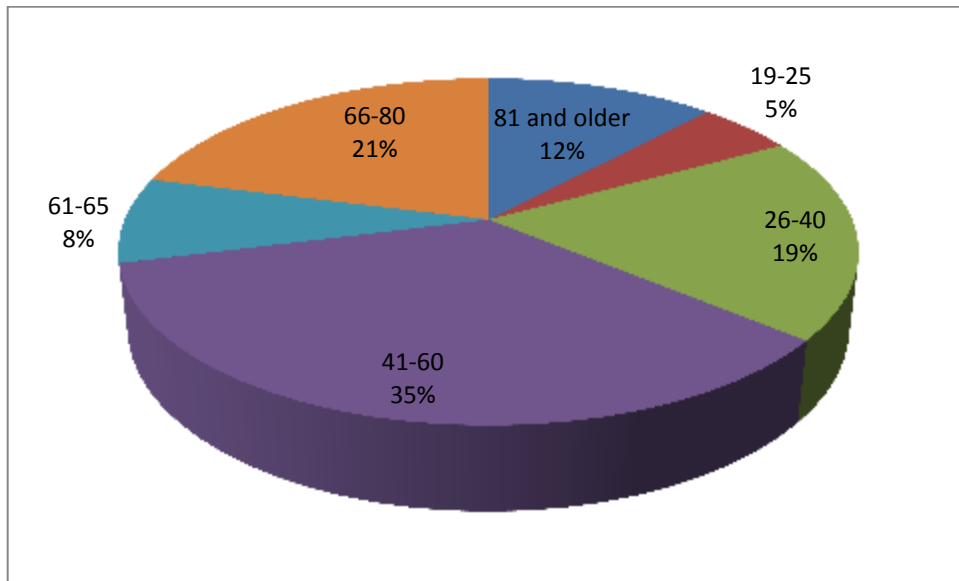


Profiling including sheltered housing tenants has also been carried out. This again shows that the majority of tenants fall into the older age bands with only 36% of tenants aged under 40. Taking all the profiling information into account, the disabled adaptations budget increase has been maintained for the five years of this strategy because there is no information to support a reduction in costs in this area.

Details are shown in the HRA Business Plan.



## Tenant age profile – total rented stock



Some accommodation is designated as housing for older persons. In order to ensure that the most suitable accommodation is provided to applicants and tenants wanting to transfer, designation will be reviewed in the light of the profiling information to identify whether any changes need to be made to the Council's Allocations Policy.

### 3.5 Leasehold Dwellings

There are currently 291 leasehold flats within the housing stock. Leaseholders are responsible for repairs and improvements within their properties, such as kitchens, bathrooms and electrical works. Leaseholders are responsible for contributing (through the service charges) to their proportion of the costs for communal works carried out on their blocks and consequently they have an interest in decisions relating to stock investment.

Where major works to communal areas are planned in areas with leasehold properties consideration must be given to leaseholders' interests and consultation needs to be carried out in accordance with statutory requirements. The requirement for leaseholders to pay is contained within the lease signed by the leaseholder on purchase.

To ensure that leaseholders have a sufficient voice to input into decisions that affect them there is a quarterly forum chaired by a leaseholder that shapes the service leaseholders receive.

There is also an annual leaseholder survey, the results of which are published in the "Your Homes Matters" newsletter. The newsletter keeps leaseholders up to date with issues that may affect them.

### **3.6 Garages**

The HRA includes 807 garages which are available for rent across 18 settlements in the borough although nearly 25% of these are currently vacant. The annual garage debit in 2013/14 was £262k although the void loss was £63k. This is an annual loss of income due to empty garages of 24%. The average weekly rent for a garage (48 weeks) is £6.56 and arrears are insignificant at £98.

Factors influencing falling demand are the remoteness of some of the sites from the prospective tenant's property and the increasing trend in "dropped kerb" applications providing parking on house drives. Increasingly it is apparent that the garages are being utilised for the storage of goods. Garages tend to be sited in blocks, away from dwellings and tenants have told us they would prefer to have parking closer to their properties and where they can see their vehicle from their home. However, a comprehensive consultation survey has not yet been carried out.

There are also around 70 garage bases, some of which are part of traditional garage sites, whilst some are standalone. These are subject to an annual invoice but the Council is only responsible for providing a concrete base, the tenants being responsible for providing and maintaining the garage. Many of these garages are in poor external repair.

The 9 new council dwellings that were part funded by the HCA in 2009 were developed on under- utilised garage sites and a review is currently underway to identify additional development capacity on the remaining sites.

Tenants' views and aspirations will be sought and a garage management plan will be developed to identify issues and opportunities to be addressed.

## **4 STOCK INVESTMENT**

Since the last Asset Management Strategy there has been significant financial investment in the dwelling stock amounting to £36.2m, increasing the percentage meeting the decent homes standard and addressing the structural and thermal efficiency and inadequacies of the non-traditional (PRC) housing stock.

At 1st April 2014 just 200 (3.5%) of Charnwood's dwellings did not meet the decent homes standard. Ensuring compliance with the standard now forms part of the HCA's regulatory requirements. It is forecast that 100% decency can be achieved by the 2016/17 in the general needs stock.

## 4.1 Charnwood Standard

Having made such solid progress against the decent homes standard, Cabinet agreed in March 2013 (minute 119) to adopt the Charnwood Standard and this is attached in Appendix 1. This provides a much higher standard than the decent homes standard which is attached in Appendix 2.

For example, a property with a kitchen more than 30 years old can be decent, and can remain decent for some years to come. The Charnwood Standard will ensure that bathrooms are replaced every 30 years as a minimum.

The current average SAP (energy performance level measure) rating is 69, a programme of energy performance certificates will be carried out to capture the impact of thermal efficiency programmes on the stock.

## 4.2 Charnwood Standard stock investment requirements

Costs of delivering the Charnwood Standard to all homes have been analysed using the asset management stock condition data base. Investment needs total £25.379m over the period of this strategy. This is affordable and has been costed into HRA Business Plan.

The investment will provide high quality accommodation for tenants.

### Charnwood Standard Delivery Plan 2014 to 2019

Description	Total investment	Total components
Electrical upgrades	£4,079,700	1360
Kitchens	£8,386,700	2396
Bathrooms	£4,469,500	2125
Heating	£2,902,700	724
Windows	£90,000	27
Doors	£1,574,700	1578
Roofs	£1,503,100	300
Structural	£1,270,000	210
Asbestos containment	£425,000	477
Carbon monoxide & smoke alarms	£328,000	1925
Insulation	£350,000	1166
<b>Total</b>	<b>£25,379,400</b>	

### **4.3 Estate investment needs**

Having addressed the non-decency backlog and the investment needs of the non-traditional stock, the Council is now in a position to increase investment in estates and communal areas, including fencing, paths, off street car parking, painting, improving communal areas and external painting. The Council will work closely with tenants to prioritise investment needs and schemes. A total of £1.1m capital and £0.7m revenue is proposed to be invested. Area based estate improvement plans will be produced to ensure all tenants are consulted and involved in prioritising work.

### **4.4 Tenant Bids**

A total of £0.25m will be available for the Tenant Bid scheme, whereby tenants bid for estate improvements. Subsequently an independent panel of tenants meet with officers to assess projects and make recommendations on which schemes will receive funding. This will ensure that tenants continue to have a real say in improving their estates.

### **4.5 Opportunities for New Build**

The Council has signed up to the government's right to buy retention scheme which will allow the retention of additional capital receipts to fund 30% of the costs of new build. This funding must be spent by the 31st March 2018. A total of £1.51m is included in the HRA Business Plan and this will deliver approximately 10 units. The scheme is due to end in March 2015 and no detail is available from government on what any new scheme might be. Financial provision for further units has not, therefore, been made at this stage.

In the 2013 autumn statement the government also announced additional borrowing headroom for Councils that wished to use the capacity to build new homes although take up nationally so far has been slow. If a significant new-build programme was identified this would be an opportunity for additional funding.

### **4.6 Disabled Adaptations**

Within the Council's housing stock there are currently over 1,000 households containing a person who has impaired mobility and, as identified in the Leicester and Leicestershire Strategic Housing Market Assessment 2014, the number of individuals with mobility problems is forecast to increase significantly in the future. To reflect this, and current demand, investment in adaptations has been increased from £0.35m in 2013/14 to £0.66m per year from 2015/16.

### **4.7 Sheltered housing stock**

Bedsits have been remodelled at Aingarth sheltered scheme in Loughborough and at Dudley Court in Sileby. Contractors have been appointed to remodel

bedsits at Riversdale Court in Birstall and to provide 8 new build units at the scheme.

Additional investment of £4m will be available for sheltered housing improvements and the Council will explore options of working with partners to identify whether additional investment can be levered in. A sheltered housing investment plan will be developed to address the re-modelling requirements in relation to bed-sit accommodation.

#### **4.8 Extra Care Schemes**

The increasing demand for extra care housing, as an alternative to residential care, is an important trend that needs to be addressed and we will therefore explore all viable opportunities to enable delivery of extra care schemes through Section 106 agreements and direct development by Registered Providers.

Section 106 planning agreements can deliver land and/or funding as an affordable housing contribution. Potentially extra care housing schemes can be incorporated into a new development as part of the affordable housing element.

Although Section 106 agreements have not been used yet in Charnwood to deliver extra care housing on large sites, there is now an increasing awareness amongst our planners, strategic housing officers, elected members and developers about the importance of this type of housing in addressing the needs of an ageing population.

We also recognise, and will respond to, the opportunities that these schemes might present in enabling informed strategic decisions to be made on some of our non-remodelled sheltered schemes.

#### **4.9 Summary of main stock investment needs over the next five years**

Charnwood Standard	£25.379m
Disabled adaptations	£3.1m
Estate investment needs, including communal areas and painting	£1.796m
Improved/new door entry systems	£0.6m
Tenant Bid schemes	£0.25
Health & Safety	£2.6m
Sheltered housing improvements	£7.15m (includes £3.15m already approved by Cabinet)
New Build	£1.5m
Total	£42.375m

The above is affordable and included in the HRA Business Plan. Actual allocations will need to be confirmed at the Council's annual budget setting meeting.

#### **4.10 Fit to Let Standard**

The Council's "Fit to Let" standard was developed 5 years ago and sets out the standard that properties will be repaired to prior to re-letting.

Decorating is not carried out as a matter of course although where necessary decorating vouchers may be issued to assist a tenant.

Tenants on the Repairs Scrutiny Group are reviewing the standard and will make recommendations later in 2014/15.

### **5 TENANT CONSULTATION**

Tenants were consulted over priorities for spend as part of the budget setting process for 2014/15 and this included identifying what was most important in terms of investment in homes and estates. Top priorities were kitchens, heating and bathrooms. Now that the backlog of non-decency has been dealt with, tenants wish to see investment in improvements to the appearance of communal areas and estates, including provision of additional parking.

The Chartered Institute of Housing held a briefing and consultation session with tenants on the 4th August 2014.

Housing Management Advisory Board considered the priorities for the draft Business Plan and Housing Asset Management Strategy at its meeting on the 13th August 2014. Housing Management Advisory Board has asked for finance to be made available for building mobility scooter storage for non-sheltered accommodation. Nine locations have been identified to date at a total cost of £0.77k. However, there are likely to be more sites than those already identified. It is considered that the feasibility of mobility scooter storage provision would best be considered through a mobility scooter policy to ensure any investment is aligned with future decisions on the re-designation of stock. A total of £0.896m is available for estate improvements and parking over the next five years and this could, subject to consultation and approval by Cabinet, be used to provide mobility scooter storage.

### **6. DEMAND**

With the exception of some of the Council's sheltered units there are no dwellings that would be considered hard to let or low demand.

But just as some sheltered housing has seen its popularity decline in recent years it is prudent to have an understanding of current and likely future demand so that major investment decisions ensure our stock better meets future demand. There will be opportunities arising over the next few years from new Extra Care Schemes proposed to be developed in the borough.

When the impact of these is fully understood, strategic decisions on our remaining non re-modelled sheltered housing schemes can be made.

## 6.1 Strategic Housing Market Assessment (SHMA)

The Leicester and Leicestershire Strategic Housing Market Assessment 2014 is the most up to date housing needs data available. The study concludes that Charnwood needs over 4000 new affordable homes over the next 25 years, with a need for 174 new affordable homes per year over this period.

Table 1 below identifies the need by unit size.

Table 1- percentage of new affordable homes required by size

1 bedroom	2 bedroom	3 bedroom	4+ bedroom
46.2%	23.4%	27.4%	3.0%

Most importantly the study also identified that 72% of the need for one bedroom properties comes from demand from the aging population. Consequently around 30% of the overall need would have to be accommodation suitable for older people and so low rise apartment blocks serviced by staircases are unlikely to meet that demand.

The SHMA also identifies the existing profile of social stock within Charnwood as set out in the table 2 below.

Table 2- current profile of social housing stock in the borough

1 bedroom	2 bedroom	3 bedroom	4+ bedrooms
39.3%	23.6%	33.4%	3.6%

Although this stock profile is broadly similar to the future need, in reality there is currently a disproportionate demand for 2 bedroom houses. Table 2 does not distinguish between 2 bedroom houses and flats despite the fact that in many cases it will be the former that is sought by families with smaller children. It is known that a private garden and ease of access for pushchairs are key requirements of this client group.

Following recent changes to housing benefit entitlement, eligibility criteria under the choice based lettings Allocations Policy have been reviewed. This has led to an increase in the number of households that qualify only for 2 bedroom properties.

## 6.2 Older Persons Housing Needs and Aspirations Study

In 2010 Charnwood project -managed a county wide piece of work looking at the housing needs and aspirations of older people which helped to inform the specification for new or re-modelled older persons housing schemes.

The study undertook a series of focus groups and carried out surveys targeted to be as representative as possible of older people and their housing circumstances and concluded that older people;

- Wish to retain as much independence as possible but have access to 24 hour support when required.
- Require accommodation that is able to cater for family and friends who may wish to stay overnight.
- Want to remain within existing communities.
- Preferred integrated accommodation rather than being segregated based on diversity categories, but with appropriate sensitive support.

Those that had a view of what supported housing should constitute commonly proposed the following features;

- Self- contained flats with separate sleeping, living, cooking and bathing facilities.
- Communal areas to encourage resident participation.
- Provision of a range of social activities.
- Located within existing communities with close access to local services, amenities and transport networks.

These findings will inform our investment plans for existing or new older persons housing.

### **6.3 Tenant Satisfaction**

The last tenant satisfaction survey was carried out in 2012 and identified an increase in satisfaction with the overall service provided and with our neighbourhoods as places in which to live. However satisfaction with the overall quality of the home, rent providing value for money and repairs and maintenance fell during the same period.

The report concluded that there is no geographical pattern in terms of satisfaction. Tenants of sheltered accommodation showed a much higher level of overall satisfaction than general needs tenants despite the design limitations of the non-remodelled accommodation and the resultant challenges we face in letting bedsits in those schemes.

Government good practice suggests that tenant satisfaction surveys should be carried out on as three year cycle, and this is captured in the accompanying Action Plan.

## **7 ACTIVE ASSET MANAGEMENT**

### **7.1 Stock Disposals**

The Council has embraced the notion of active asset management and is taking a pro-active approach to stock disposal where stock is



disproportionately costly to maintain and under performing in terms of void loss.

Assessments are made on a case by case basis taking into account design features, demand for that property type, rental income, costs of repairs, cost of compliance with the Charnwood Standard and replacement cost if sold.

Attention initially has been directed towards properties in substantial disrepair where underpinning was required, and more recently to the small number of ad-hoc listed buildings that are currently within the HRA. These often require non-standard components, are problematic in terms of achieving thermal efficiency standards although they have character making them attractive to the private market. Receipts from such disposals are ring-fenced to the HRA and allow for either additional capital investment in existing stock, support for new-build units or funding for reacquisition of former Council stock. Opportunities for strategic disposals of HRA assets where they enhance RSL development opportunities will also be considered.

## **7.2 Stock Acquisitions**

The Right to Buy legislation stipulates that if a resident chooses to sell within 10 years of exercising their right to buy they are required to offer the Council the option to buy the property back or nominate another housing provider to do the same.

Furthermore on occasion we are contacted by former tenants (usually leaseholders) enquiring whether we would be interested in purchasing their properties outside of the statutory period.

We will evaluate each application on its merits and strategic fit, exploring opportunities to acquire both existing stock and development opportunities where resources allow.

## **7.3 Types of Tenancy**

The Council has chosen not to implement fixed term tenancies in its Tenancy Policy (min 10 6th June 2013) but Cabinet has resolved that this be kept under review, and a report be brought back to Cabinet by June 2015 for further consideration.

## **8 CONCLUSION**

This strategy is explicitly linked to the HRA Business Plan due for review in three years. It will be essential to ensure that the documents remain aligned and if the strategy requires minor amendments to achieve this it is considered that they can be dealt with under existing delegated authority.

## **APPENDIX 1      CHARNWOOD STANDARD**

### **WARM, DRY AND SAFE HOME**

1. Structurally stable, brickwork, render and cladding in a reasonable state of repair
2. Wind and water tight with a roof which doesn't leak
3. An average SAP rating for all stock of 75 (current 69)
4. A minimum SAP rating of 50 (unless prohibited through planning restrictions, or it not technically feasible to do so)
5. Cyclical painting carried out on a 7 year lifecycle
6. Healthy and safe Home
  - Valid periodic electrical safety certificate 5 yr
  - Current gas safety certificate
  - Sealed Lithium Battery smoke detectors
  - Carbon Monoxide detectors fitted in gas and solid fuel heated properties
  - Asbestos survey – Asbestos Management Survey or Refurbishment Survey, subject to existing data & proposed works
  - Inform tenants of results and remove high and medium risk asbestos rather than encapsulate and manage in situ where risks are low or very low.

### **MODERN HOME**

1. Building related damp free (linked to condensation, mould free and adequate ventilation)
2. Components renewed to modern day standards in accordance with fixed lifecycles
  - Kitchens – 20years
  - Bathrooms – 30 years for bathroom
  - uPVC or Composite Doors – 25 years
  - uPVC Double glazed windows ( except in conservation areas) – 30 years
  - Boilers – 15 years
  - Full central heating pipework, radiators and electric storage radiators– 30 years
  - Roofs - 50 – 70 years (when required)
- 3 Internal space standards adequate and fit for modern day living

#### 4 Flexible Home

- Properties individually adapted to meet customer needs where possible after recommendations by an Occupational Therapist from Social Services

#### 5 Communal Areas

- Fire Risk Assessment high and medium risk recommendations completed
- Asbestos survey
- Door Entry system
- Emergency lighting
- Communal Lighting
- Annual Lift Service Certificate
- Legionella testing programme

#### 6 Environmental Sustainability

- “A” rated condensing boilers renewed on a 15 year lifecycle.
- Thermostatic Radiator Valves and/or Room Thermostats
- Programmable Heating systems
- Dual flush WC cisterns
- Low voltage energy saving bathroom and kitchen lighting
- Low voltage mechanical extract fans
- Minimum “C” rated uPVC double glazed windows and doors
- Move from electric to gas heating where possible

#### 7 External Environment

- Safe and Level path access to front door

## APPENDIX 2      DECENT HOMES STANDARD

### A decent home – summary of the definition

1. The definition of what is a decent home has been updated to reflect the Housing Health and Safety Rating System (HHSRS) which replaced the Housing Fitness Standard on 6 April 2006 and it is helpful to refer to the two volumes of statutory guidance on HHSRS<sup>1</sup>. The general principles of application have been expanded as set out in paragraph 1.4 below and paragraphs 1.5 and 1.6 clarify what properties are covered by the Decent Homes standard. A decent home meets the following four criteria:

#### a) It meets the current statutory minimum standard for housing

- 1.2 Dwellings which fail to meet this criterion are those containing one or more hazards assessed as serious ('Category 1') under the HHSRS.

#### b) It is in a reasonable state of repair

- 1.3 Dwellings which fail to meet this criterion are those where either:
  - one or more of the key building components are old and, because of their condition, need replacing or, major repair; **or**
  - two or more of the other building components are old and, because of their condition, need replacing or major repair.

Dwellings cannot be non-decent through age of the components alone.

"Old" is defined in the guidance and includes:

##### *Non key components*

- ◀      kitchens more than 30 years old
- Bathrooms more than 40 years old

##### *Key components*

- Walls more than 80 years old
- Windows more than 40 years old

#### c) It has reasonably modern facilities and services

- 1.4 Dwellings which fail to meet this criterion are those which lack three or more of the following:
  - a reasonably modern kitchen (20 years old or less);
  - a kitchen with adequate space and layout;
  - a reasonably modern bathroom (30 years old or less);
  - an appropriately located bathroom and WC;

- adequate insulation against external noise (where external noise is a problem); and
- adequate size and layout of common areas for blocks of flats.

1.5 A home lacking two or fewer of the above is still classed as decent, therefore it is not necessary to modernise kitchens and bathrooms if a home meets the remaining criteria.

**d) It provides a reasonable degree of thermal comfort**

1.6 This criterion requires dwellings to have both effective insulation and efficient heating. It should be noted that, whilst dwellings meeting criteria b, c and d are likely also to meet criterion a, some Category 1 hazards may remain to be addressed. For example, a dwelling meeting criterion d may still contain a Category 1 damp or cold hazard.

<sup>1</sup> *Housing Act 2004, Part 1. Statutory Guidance has been given to local authorities under section 9 – the HHSRS Operating Guidance and Enforcement Guidance – and is available from DCLG and at [www.communities.gov.uk/hhsrs](http://www.communities.gov.uk/hhsrs)*

Full definition of Decent Homes is available at

1. <https://www.gov.uk/government/uploads/system/uploads/.../138355.pdf>

### APPENDIX 3 ACTION PLAN

Action	Lead Officer	By When
Complete a review of the fit to let standard	Landlord Services Manager	Mar 2015
Produce Garage Sites Management Strategy	Housing Strategy and Support Manager in consultation with Landlord Services Manager	Mar 2016
Monitor achievement of the Charnwood Standard annually with the decent homes contractor and review investment opportunities in the event the programme is delivered earlier than anticipated	Landlord Services Manager in consultation with Principal Officer Repairs and Investment and tenants	End of each financial year
Produce five year area based estate improvement plans, reviewing these annually	Landlord Services Manager in consultation with Principal Officer Repairs and Investment and tenants	June 2015
Review energy performance assessments to ensure SAP ratings accurate	Repairs and Investment Manager	Sept 2015
Carry out tenant satisfaction survey	Landlord Services Manager	March 2016
Deliver 7 year cyclical painting programme of internal communal areas and external painting	Principal Officer Repairs and Investment	From 2015/16 onwards
Carry out Housemark benchmarking review of in-house responsive repairs service	Head of Landlord Services	Dec 2014
Carry out programme of stock condition surveys	Principal Officer Repairs and Investment	On going
Review Tenancy Support Policy	Head of Landlord Services	Sept 2015
Review Tenancy Policy	Head of Landlord Services	June 2015
Review designation of flats for older/younger persons	Head of Landlord Services	Mar 2016
Develop a mobility scooter storage policy	Head of Landlord Services	Jan 2015
Make decision on procurement of decent homes/capital works contractor following expiry of current contract	Head of Landlord Services	October 2018
Identify options for extra care sheltered housing and produce delivery plan	Housing Strategy and Support Manager	Sept 2015
Consult on and develop a sheltered housing investment plan	Head of Landlord Services Head of Strategic and Private Sector Housing	Dec 2015

## APPENDIX 4

### DELIVERING THE STRATEGY OBJECTIVES

Objective	Delivered by
Continue to provide quality homes by delivering the Charnwood Standard - an enhanced standard in excess of decent homes.	Invest £25.379m over the next five years and a total of £118m over 30 years.
Invest to meet current and future needs.	Invest £42.375m over the next five years in main stock investment need areas. Provide 8 additional new build sheltered units at Riversdale and build approximately 10 new build units by March 2018
Continue the programme of improving the quality of sheltered housing	£3.151m for remodelling Riversdale sheltered scheme in Birstall plus £4m in 2017/18 for further improvements. Develop a sheltered housing investment plan by Dec 2015.
Deliver additional investment for a programme of external and internal painting over the next seven years.	Increase budget by £175k per year to £298k per year to deliver 7 year cyclical programme
Continue to reduce carbon emissions.	Invest £2.9m in new energy efficient heating systems over the next five years. Invest £350k over next five years in insulation and help tenants claim free insulation from energy companies.
Support additional tenant priorities for estate improvement works.	Invest £896k over five years in estate improvements, consulting on and agreeing estate improvement plans with tenants
Continue to invest so that tenants feel safe in their homes.	Invest £569k in new or improved door entry systems to communal entrances
Have homes and neighbourhoods that are popular places to live	Invest £896k over five years in estate improvements, consulting on and agreeing estate improvement plans with tenants. Also invest £200k in improvements to communal areas of blocks of flats
Support vulnerable tenants.	Invest £3.1m in disabled adaptations. Provide additional financial inclusion officer from 2015/16 to work with vulnerable tenants to maximise benefit take up.

<p>Use our assets in an efficient and affordable manner</p>	<p>Carry out Housemark benchmarking review on costs and performance, identifying areas to be addressed and actions to be taken. Make decision on timetable for procurement of decent homes/capital contractor in 2018.</p>
<p>Support partners in the provision of Extra Care Housing for an ageing population</p>	<p>The Council is working with partners and developers to explore opportunities for delivering extra care and sharing costs.</p>



Extracts from the minutes of the meeting of the Housing Management Advisory Board held on 13th August 2014.

5. UPDATE ON MOBILITY SCOOTERS

The Board considered a report of the Head of Landlord Services which provided an update on the review carried out on the feasibility of scooter storage facilities to non-sheltered accommodation. (item 6 on the agenda filed with these minutes)

The Head of Landlord Services assisted with consideration of the report.

Summary of issues discussed:

- (i) The Chair of the Board and the Repairs and Investment Manager had conducted site visits to non-sheltered blocks.
- (ii) The advice received from the Fire Authority was that blocks would be closed if mobility scooters were found to be incorrectly stored. At no point was it suggested that scooters would be seized.
- (iii) There was no budget to provide new storage facilities during the current financial year.
- (iv) Officers had not found many incorrectly stored scooters on recent visits. However, this was not unusual during the summertime. Many more were usually found during the winter months as tenants were at home more often.
- (v) The Council would not force tenants with mobility scooters to move to sheltered accommodation if the block that they lived in did not have suitable storage facilities.
- (vi) Whilst the Council recognised that there were issues with regard to the distances between tenants' homes and storage facilities, the key responsibilities of the Council were focussed upon inside the home, not outside.
- (vii) Approximately 1/3 of tenants were over the age of 65, most of whom wished to live independently, and it was anticipated that mobility scooter usage would increase along with the ageing population. For those reasons it was essential that storage facilities serving blocks were capable of storing at least six scooters.
- (viii) The report stated that the total cost of providing one storage site for each of the nine proposed locations (excluding Park Court) would be £77,000, or just over £8000 per site. The Board queried the accuracy of those figures.

- (ix) Tenants were only allowed to store scooters in their homes if their doors opened out directly to the ground floor. Scooters could not be driven through communal areas.
- (x) If mobility scooter storage was to be prioritised within the Housing Revenue Account Business Plan it would be necessary for a policy to be agreed in advance of implementation and a schedule of works agreed.
- (xi) The view of the Board was that the installation of mobility scooter storage facilities should be prioritised for funding within the Housing Revenue Account Business Plan to be considered by the Cabinet in September 2014.

## RESOLVED

1. that the report be noted;
2. that the Head of Landlord Services circulate to Board members information to provide clarity on the cost of providing storage sites;
3. **that it be recommended to the Cabinet as part of the HRA Business Plan report to be considered at its meeting on 25th September 2014 that monies be allocated for the installation of motor scooter storage facilities that meet Fire Authority guidelines at non-sheltered blocks and that works be undertaken as soon as is practicable.**

## Reasons

1. To acknowledge the Board's consideration of the report.
2. To ensure that the information provided to the Board is correct.
3. **To assist the Cabinet in its consideration of the HRA Business Plan. Following advice received from Fire Authority in relation to the potential for blocks to be closed down if mobility scooters were stored in or passed through communal areas, the Board saw matter as one that should be dealt with with the utmost importance.**

## 7. HOUSING REVENUE ACCOUNT BUSINESS PLAN AND HOUSING ASSET MANAGEMENT STRATEGY

The Board received a presentation from the Head of Landlord Services on the revised Housing Revenue Account (HRA) Business Plan and the Housing Asset Management Strategy (item 8 on the agenda filed with these minutes). In addition to the presentation, handouts were circulated on the Charnwood Standard Delivery 2014/15 and the Draft Charnwood Borough Council Stock Investment Plan Years 1 to 5. These documents were published with the original report following the meeting.

The Landlord Services Manager assisted with consideration.

Summary of issues discussed:

- (i) Clarity was sought on the amount of HRA monies that had been written off for the period in which Charnwood neighbourhood Housing was in operation and for the period since the Council regained management of the housing stock.
- (ii) The Council had a five year contract with Wates which, on completion, should see the realisation of the Charnwood Standard. Although it was a five year contract, the Council's Project Management Board reviewed how the schedule of works was progressing on an annual basis with a view to bringing works forward where possible. However, if the works scheduled for the duration of the five year contract were completed by, for example, the end of year four that did not mean that works scheduled for beyond the five year period could be brought forward. The Board sought clarity on why that was the case.
- (iii) The bulk of the expenditure on bathroom improvements went on shower installations and some funds identified for door entry systems were reallocated for adaptations.
- (iv) Roughly £402,000 had been allocated towards heating improvements. This figure including costings for new storage heaters for homes with no gas supply. It also assumed that tenants that had requested to retain their storage heaters rather than have central heating installed could change their minds.
- (v) Void garages could be mapped on the GIS system.
- (vi) A plan for the management of garages would factor in income, the cost of repairs and potential alternative uses for sites.
- (vii) The potential for a change of Government and changes to Government policies following the 2015 General Election would be indirectly acknowledged in the Risk section of the HRA Business Plan report to be considered by Cabinet.

## **RESOLVED**

1. that the report be noted;
2. that the Head of Landlord Services circulate to Board Members details of the amount of HRA monies written off for the period in which Charnwood neighbourhood Housing was in operation and for the period since the Council regained management of the housing stock;
3. that the Head of Landlord Services extend an invite to Board members to view information in relation to the works scheduled to be undertaken by Wates, works scheduled to be carried out beyond the duration of the Wates contract and an explanation of why those works cannot be brought forward;
4. that the Head of Landlord Services circulate to Board Members GIS mapping images showing the locations of void garages;

5. that at a future meeting the Board receive a report from the Head of Landlord Services presenting a draft garage management plan, to include details of the income received and the ongoing cost of repairs;
6. **that the Board's consideration of the information presented by the Head of Landlord Services be relayed to the Cabinet as part of the HRA Business Plan report to be considered at its meeting on 25th September 2014.**

#### Reasons

1. To acknowledge the Board's consideration of the report.
2. To provide the Board with further information in relation to the Council's HRA.
3. To provide a full response to the questions asked by the Board.
4. To inform the Board of where void garages are located.
5. To allow the Board to have input into the formation of a garage management plan.
6. **To assist the Cabinet in its consideration of the HRA Business Plan by presenting an overview of the matters raised and discussed and the decisions taken by the Board.**