London Borough of Havering – HRA Self-financing Business Plan 2014 – 2044

Contents

1. Introduction

The Self Financing regime for Council Housing was introduced in April 2012. It provides for Councils to manage their income and expenditure over a period of 30 years, in exchange for taking on a proportion of national housing debt. It enables Councils to plan their investment in housing over a longer time frame, and to retain their rental surpluses. It gives greater control over investment decisions to local authorities.

However, in the short life of the new financial regime, it can be seen that Councils are also subject to a number of risks and changes which impact on the Plan. The change with the greatest impact, is that the Government has introduced new ideas and policies which have a direct impact on the Business Plan. It is up to Councils to deal with all these changes as best they can, although inevitably, Councils will have to amend their plans and programmes as they affected by changes in the economic and legal environment.

2. Vision and mission

2.1 Our Vision

The London Borough of Havering aims to provide good quality accommodation for those unable to meet their housing needs in the private market. The Council will make the best use of the resources available, consulting with tenants about how to raise and how best to use those resources.

Our aim is to provide housing that is:

- Safe
- Warm
- Healthy
- Surrounded by a good environment
- In friendly and harmonious neighbourhoods
- Able to provide a springboard for those who wish to, to move on to owner occupation or other private market options
- Able to contribute to the prosperity of households and the community

2.2 Governance

This HRA Business Plan is owned by the whole Council. It is of primary interest to the Housing Service and its customers, as it is the means by which the vision will be delivered – a safe, secure warm and healthy home in a good environment. However, the obligations that the housing service has been required to take on by the Localism Act 2011 are of such a magnitude that if the Business Plan is not well managed, it will have an impact on the whole Council.

The Business Plan will therefore be reviewed annually by Cabinet and key risks and issues will be reviewed by the Lead Member for Housing and Public Protection on a regular basis. This will be supported by officers who will keep the Plan under review. This will be done by a corporate group of officers, (the HRA Business Plan Project Group) including Legal, Finance and Housing officers twice a year.. Housing and Finance officers, will also alert the Corporate Project Group to any key issues more frequently as required.

The Council decided to take the Arms Length Management Organisation (ALMO) back in house in March 2012, and this took place in October 2012. Back office functions have been merged, and the integration of the front office function has also now been implemented, in

November 2013. The main responsibility of the Business Plan therefore rests with the Housing Service.

Following on from the integration of the Housing Service, the Council has adopted a new Resident Involvement Strategy. The top line consultative body for residents, will be the new Residents Forum. This is currently in a transitional stage, with representatives appointed from other consultation groups. This will move in due course to become a more representative group, with members elected from the residents themselves. It is proposed that there should be an annual presentation to the Residents Forum, of the Self Financing Business Plan.

2.3 Risks and risk management

The HRA Business Plan Group has now closed the Risk Register associated with preparation for Self Financing, as this has been implemented successfully.

The main risks associated with the Business Plan itself are:

Decent Homes Funding
The final £38m of Decent Homes Funding has now been confirmed, and is currently being spent. The grant has been confirmed for the final two years, and the Council is now on course to achieve Decent Homes standard by March 2015. The risk of loss of funding is now very low.

Improved standards in building works required and additional unforeseen investment requirements
There have been changes to the standards required in buildings from time to time – such as improved standards of electrical and gas safety, legionella, insulation and other issues. These have sometimes been in response to developing technology, such as satellite and digital services; and sometimes in response to incidents which draw attention to the importance of these issues, such as fire risks. Property services officers have to keep abreast of such developments and draw them to the attention of the HRA Business Planning Group; and they will need to be assessed and built into the Business Plan as required.

Communication and involvement of stakeholders
Where there are changes and challenges to the Business Plan which affect our ability to deliver our services and our investment programmes, households will be affected – tenants and residents – who have a right to know what is happening to their service and the improvements that they expect. Leaseholders have to pay a contribution to the cost of major works, and need time to plan for large items of expenditure. It is important that we keep our tenants, leaseholders and key partners, such as construction firms informed of the programme and changes to it, so that they can fully participate in delivering the best possible service. There is a risk to our reputation if we are not able to deliver our entire investment programme as anticipated, especially if we do not keep tenants informed of changes.

Interest rates may rise
The Council has fixed the majority of its loans for between 12 and 28 years, at an average of 3.594%. The risks posed by rises in interest rates therefore in the short term are low. However, if the Council decides to undertake additional borrowing, in order to deliver new projects, then the issue of interest rates will be of importance.

Build cost inflation may rise
In the first 15 years of the plan, investment in the housing stock is a critical activity. At present Build cost inflation is calculated at 2.5%, half of one per cent above the assumed general rate of inflation (CPI). If this rises then this will have an impact on the Plan. This can be mitigated by longer term procurement contracts, although this may not necessarily be the best course of action to obtain best value in all circumstances.

Right to Buy sales not as predicted
The Government have made a number of changes to the Right to Buy since the introduction of Self Financing. The discount has been increased, twice, and the Government are proposing further changes to promote the Right to Buy. This has had the impact of increasing the Right to Buy sales from our initial predictions of 12 – 15 a year, but to 49 completed sales in 2012/13 and an estimated 96 in 2013/14.

The Government have invited local authorities to enter into agreements to share the proceeds of the RTB, as long as they are spent on new build or acquiring new homes, and as long as no more than 30% of the total costs are met by RTB receipts. The rules on the application of RTB receipts have also changed, in that from April 2013 they cannot be matched with GLA funding. This has meant that in order to use the RTB receipts in Havering, we will have to match them with HRA BP resources (including borrowing) in order to deliver more homes.

This business plan is based on 100 sales in 2014/15 reducing to 50 sales per year there after. The HRA is able to retain the equivalent debt per property sold on the HRA and this has been factored in to the overall level of resources available within the plan.

Changes to welfare benefits (and therefore rent collection rates fall)

Elements of the welfare reform package have now been implemented. The Spare Room Subsidy was implemented in April and the overall Benefit cap in July. The Council has been working closely across all departments to advise tenants of the consequences, and to ensure that they are able to take mitigating actions in preparation.

As a consequence, the rent collection rate has remained remarkably stable. The additional bad debt provision has not been required.

The only part of the Welfare Reform package that has not been implemented, is Universal Credit, which includes the proposal to pay benefits directly to claimants. This is likely to have an impact on collection rates. National statistics show that 25% tenants have “switched back” to direct payment of rent, in areas where this has been implemented which indicates that there has been a significant problem with arrears of rent as a result of this change.

71.74% of Council tenants are dependent upon Housing Benefit/Local Housing Allowance, and whilst many of these changes have not affected them, especially as 37% of our tenants are over 60, payments of benefits directly to claimants will have an impact on them all.

We still anticipate that the collection of rent will become a more challenging task, and a reduced collection rate from the current 97% will have an impact on the Business Plan. It has therefore been assumed in the plan that the bad debt provision should be increased from the current 1.4% to 2.5% over the next 5 years.

Empty properties higher than forecast
The Business Plan depends upon the collection of income from 9,995 properties as at 1 April 2012. There is built into the Business Plan the fact that not all these properties will be occupied at any one time, and that properties do become empty when people move, or die. This level of empty properties, called the void rate, is currently set at 2.6% for 2014/15, reducing to 2% there after and requires careful management. There are a number of empty properties within the housing stock which are hard to let, because they are the less popular bedsits or one bedroom units in Sheltered Housing that cannot be accessed by a lift if above ground floor level. There is an active programme of reviewing and improving some of these sheltered housing schemes, and disposing of others.

There is also the issue of the performance of staff in inspecting, repairing and letting empty homes to ensure that the void time is kept to a minimum. Performance in this area does not currently meet the 2013/4 KPI target. In October 2013, the performance outturn was 23.9 days against a target of 22 days. This may have been affected by strategic voids (properties expected to be part of major programmes) being released for re-letting, which would account for a longer period. Constant attention is needed to ensure that the re-let period is kept low. The current down sizing programme, designed to assist tenants affected by the Spare Room Subsidy, is generating a higher than usual number of empty homes.. The risk to the Business Plan is that income anticipated does not materialise, because the number of empty homes rises above the 2.0% anticipated by year 5 of the Business Plan.

Impact of depreciation rules
The Government is currently consulting on proposed new changes to the method of calculating depreciation. The Government is proposing to introduce this new methodology over a five-year period, and the impact on the Business Plan of this new piece of work has not yet been assessed.

The Risk Register will continue to be maintained and reviewed quarterly by the HRA Business Plan Group.

3. Service Delivery

3.1 Stock overview and management structure

At as 1 April 2013, the Council owned 12,198 social housing assets, consisting of 9938 rented homes and 2,260 leasehold properties. The rented housing stock comprises a range of housing types, the highest proportion (57.93%) of which are flats, 37.58% are houses, 3.96% are bungalows and 0.53% are traditional multi-occupied properties.

Within the HRA portfolio there are also 1520 garages.

3.2 Establishing the long term demand for stock

3.2.1 Recent housing demand and supply of affordable housing

An independent Housing Needs Study was commissioned by the Council in 2012 to inform its Housing Strategy 2013 - 2015. The study indicated that there is a need for around an additional 1000 additional affordable units each year for the next 10 years.

During the course of the Housing Strategy the Council has worked in partnership with RSLs to deliver new build affordable units in the borough, as set out in table 2 below.

Table 2 - new build affordable housing delivery

Year	Performance target	Performance outturn
2008-11	3-year target 800	910
2011/12	250	426
2012/13	250	487
2013/14	250	52 at Dec 2013 but on target due to backloading of completions in year
2014/15	250	

3.2.2 Future demand for council housing

It is difficult to project the long-term demand for housing in terms of setting a 30-year target. However, we have seen that demand for affordable housing continues to out-strip supply for general needs affordable housing and we expect this to increase given the expected increase 15 year+ age group in the borough. Even under current plans, we are not meeting all the newly arising need for housing, and there will be an accumulated shortfall of housing supply over the next three years. Under the HRA Self Financing arrangement and new freedoms, the Council will be able to retain rental surpluses and allow for long-term resource and investment planning. In terms of sheltered housing supply, the Council has delivered the majority of its strategy and will continue to review existing schemes to identify opportunities to that ensure housing stock is fit for its future purpose.

4 Self Financing/Treasury Management

4.1 Rents and Service Charges

4.1.1 Rent Policy

Havering Council has followed the Government's rent restructuring policy to move Council housing rents to a target rent based on a property's affordability (using local average wage), bedroom numbers and property valuation. The aim of this policy was to ensure that rents charged by all social housing providers converge at target rents in 2015/16. To enable rents to move to the target rent, housing providers will increase rents using the target formula Retail Price Index (RPI) + 0.5%, up to a maximum (limited) increase using the formula RPI + 0.5% + £2 until convergence is achieved; thereafter, rent increases will be restricted to RPI + 0.5%.

We have applied the average formula rent increase in line with the Governments restructuring plans, and will continue to do so in 2014/5. This means that the average rent in 2014/15 will be increased by 5.90% to an average of £90.80pw. This is still considerably below the formula rent.

The Government has however issued a consultation Paper on 31st October 2013, in which it proposes to end the Rent Restructuring formula, on the mistaken assumption that most authorities will already have achieved formula rents. It proposes after 2015, that rents will be increased only by CPI + 1%. This will have an adverse impact on the Havering Self Financing Business Plan. First, only 32 properties will have achieved rent convergence by 2015. Over 50% of properties would only achieve rent convergence after 2022. This means that tenants of identical properties will have different rents, and rents will never achieve formula rents. In addition, this will take £100m out of the Havering Business Plan.

In terms of void properties, we currently re-let these at the previous tenant's rent restructuring path, and do not re-let at target rent levels. In the light of the Government's changes to rent policy, we propose to change this, and to start to charge formula rents immediately when a property becomes empty.

4.1.2 Limit Rent

In the sub-section above, we referred to the rent limit. Rents will remain under Government control, through the rent restructuring formula. If the Council's average *actual* rent exceeds this limit rent then housing benefit subsidy is lost on the amount over and above the limit rent. This is actually a cost borne by the Council's General Fund but is chargeable to the HRA. Currently there is some headroom between the actual average rent and the limit rent but this gap will reduce each year as actual rents converge with the limit rent through rent restructuring. However we are confident at present that the risk of Council actual rents rising above the limit rent is very low. The Council is not likely to be recharged on the rents increased to date nor as a result of the proposal to move rents to target rents, when properties become empty.

4.1.2 Service Charge Review

The Council has undertaken a review of service charges. The review is based on the aim of fully recovering the *actual* cost of relevant services through service charges. Where relevant tenants have been consulted on the level of charges and on the quality of the service provided. The review has now been completed, and all service charges are now set on a full cost recovery basis. There is only one charge, sheltered housing cleaning, that is not on a full cost recovery basis. The proposed future policy on service charges is that this will continue, and therefore service charges may go up or down, depending upon the costs of the service in the preceding year. It is proposed that there should be consultation on the level of service every three years.

4.2 Treasury management & debt financing

Each council that owns housing stock is obliged to maintain a HRA. The account is 'ring-fenced' and this means that all income to and expenditure from the account must be held within the account and funds must not be transferred between this and the Council's General Fund.

The key items of income and expenditure on the HRA are detailed below:

Income
Tenants' Rents and Service Charges
Garage rents
Miscellaneous income, such as water commission, Insurance and hire of halls
Interest accrued on council mortgages
Interest accrued on balances

Expenditure
Management and maintenance costs
Provision for bad debts
Interest payments on loans

In April 2012, the Council took on an additional £168m of debt, making the total Housing debt held by Havering Council £173m. This is a mixture of long fixed term loans for the self financing debt, (the average interest paid is 3.594%) with the residual amount being variable interest rate debt based on the council's consolidated rate of interest currently forecast at 4.82% This means that in effect the annual interest payments for the HRA account remains constant during the first 12 years of the Business Plan at £6m. This would only vary should the Council decide to take on any additional borrowing. The Government announced in the Autumn statement (2013) that Councils could bid for an additional £300m headroom in order to deliver additional new homes.

Havering currently has available unused headroom of £36,084,716. This is the gap between the Councils actual borrowing, and its borrowing limit as set by Government. This borrowing capacity could be used for any investment purpose that benefits the Council's Housing Revenue Account. This might include additional investment in the housing stock, or the development of additional homes within the Housing Revenue Account. However, the Council does not propose to undertake any additional borrowing at this stage, and the funding of the current building plans can be managed within existing resources.

5 Investment Challenges

The Council faces an array of significant investment challenges arising from a number of factors including:

- previously inconsistent funding streams, for example Decent Homes funding
- a backlog of expensive repairs to non-traditionally built dwellings
- changing socio-demographics within the borough, notably, the growth in the elderly population in the borough at the same time as rising aspirations leading to, for example, sheltered bedsit with shared facilities being effectively obsolete
- new technologies providing opportunities for investment, for example, more innovative external treatments to tower blocks and improved door entry alarm call systems and improved access to entertainment from commercial providers such as Sky and Virgin
- The need for new affordable homes .

The various investment challenges are discussed in turn below.

5.1 HRA Stock

In terms of social housing as at 1 April 2013 the Council owned 9938 rented properties and 2260 leasehold dwellings. In addition, it is responsible for the management and maintenance of 1520 garage units in the portfolio. There are three tenant management organisations, which provide general environmental and minor repair services to the estates concerned.

Table 4 below provides a breakdown of the portfolio in the standard archetypes used for the HSSA base return[1].

Table 4 - shows the breakdown in property types [needs to be updated]

Stock at 1 April 2013	**Rented homes**
Traditional pre-1945 small (less than 70sqm) terrace houses	125
Traditional pre-1945 semi-detached houses	212
Traditional all other pre-1945 houses	87
Traditional 1945-64 small (less than 70 sqm) terrace houses	627
Traditional 1945-64 large (70 sqm or more) terrace / semi detached / detached houses	1187
Traditional 1965-74 houses	476
Traditional post 1974 houses	241
Non-traditional houses	780
Traditional and non-traditional pre-1945 low rise (1-2 storeys) flat	78
Traditional and non-traditional post-1945 low rise (1-2 storeys) flat	2267
Traditional and non-traditional medium rise (3-5) storey flats	2803
Traditional and non-traditional high rise (6+ storeys) flats	609
Traditional and non-traditional bungalows	393
Traditional multi-occupied dwellings post 1944	53
Total	**9938**

5.1.1 Stock condition

A key proportion of the Council's housing stock was developed during the period 1945-64 with a consequently relatively high percentage of homes built by non-traditional methods. This post war development "boom" was prevalent in the development of social housing and the construction methods and materials used during this period pose particular challenges. A prime

[1] Source – Housing Subsidy Base data 2012/13

example of this is the quantity of asbestos containing materials employed and found in our homes.

Over 40% of our stock is houses, of which 780 are non-traditional properties and these require high levels of maintenance and investment. In addition, we have a number of high rise properties (610 units) which also require high levels of maintenance and investment. These properties require extensive works to enhance thermal comfort, as well as making them wind and watertight, reducing high instances of damp and condensation. The design of some of these property types also necessitates the adjustment of internal layouts to accommodate boiler and kitchen replacements. Our non-traditional houses also require extensive structural works in order to address the well-documented structural defects.

5.1.2 Stock investment requirements

The age profile of our housing stock has a material impact on the investment requirements as a large proportion of the stock was constructed in a specific time period.

On our currently owned stock, we anticipated that the additional resources needed to bring our stock up to the Decent Homes standard in a sustainable way was £68.581m over the three years to 2014/15. the profile for the final two years of decent homes grant is shown in the table below.

Table 5 - Decent Homes Backlog funding awarded to Havering Council

	2013-14	2014-15	Total
Award	£15,000,000	£23,581,000	£38,581,000

These allocations have made a significant contribution towards achieving the Decent Homes standard by 2015.

At 31 March 2014, the level of Decent Homes across the Council's stock is projected to be 65% and 97% by 31st March 2015.

In excess of 57% of our homes were constructed during the period 1945-64 which means that there is a higher propensity for non-decency failures occurring within a narrow time band. In addition, we have a further 7% of non-traditional properties (Cornish, etc) with extensive investment requirements. This level of investment although high is still viable in comparison with new build replacement. This is further exacerbated by the aspect of elemental failures occurring in specific time periods forming "peaks" which constantly detract from the investment allocated to our homes.

The Council has in previous years, had limited resources to allocate to a range of housing priorities. Despite over 30% (3,048) of our homes having 3 or more bedrooms, the majority of our lettings are to smaller homes, and even then we only turnover 6% of our properties a year and demand for homes continues to outstrip supply. We support RSLs to develop larger homes and facilitate moves into the private sector. In addition, we have by necessity embarked on a programme of remodelling and/or delivering extensions programmes to our properties in our portfolio. We have successfully bid for funding from both the Mayor's Housing and Support Fund, and the Mayor's Pipeline Funding stream to deliver 70 new units of affordable accommodation. The schemes that will be delivered in 2014/15 are:

Project	Type of housing	Number of units
Albyns	Affordable Rented	10 homes
Albyns	Shared Ownership for elderly	10 homes
Biddeford Close	General Needs – affordable rent	9 homes
Butterfly Bungalows	General Needs – affordable rent	12 homes
New Plymouth and Napier–	Hidden homes – social rented	3 units
Thomas England and William Pyke	Hidden homes – social rented	4 homes
Garrick House	Bungalows – affordable rent	9 homes
Holsworthy House	Bungalows – affordable rent	3 homes
Ravenscourt Grove	Bungalows – affordable rent	3 homes
Ullswater Way	For people with an enduring special need	7 homes

In addition, the Mayor has now published his funding prospectus for 2015 – 2018 to which the Council may wish to bid so as to continue to develop high quality homes, some specifically targeted at elderly residents, and others at low cost home owners. The Business Plan currently includes the impact of the agreed development programme, but no additional new build units after that.

5.1.3 Decent Homes programme delivery

We have, through considerable work with tenants/residents and contractor partners, established a delivery strategy which started in 2010/11 and is being successfully delivered.. This work, together with the service upgrading achieved through the Improvement Plan (and recognised by accreditation), has delivered further efficiencies which are reflected in the profile. By securing external funding we have been able to deliver efficiencies not previously achievable through lower funding levels.

The improvement programmes over the 4-year period have been fully reviewed to have due regard to tenants' and residents' expectations, contractual obligations and commitments made as part of the Council's comprehensive regeneration schemes in Harold Hill and Rainham.

The funding profile involves a mixture of elemental, whole house and major contract works packages, for example, for high rise blocks and non traditional houses/blocks. Our primary aim is to deliver high quality homes to tenants and residents and thus reduce non-decency levels, whilst also continuing to deliver value for money through competitive tender pricing, which we have already demonstrated through current contracts.

On successful allocation of funding for 2010/11 the Council has implemented the detailed delivery strategy. This has been successful and we are already delivering a large decent homes programme, following the allocation of our decent homes funding in 2010/11 and based the full funding, confirmation of which has been received.. Our consultation, governance and operational arrangements are embedded and are therefore well-placed to continue delivery of this programme over the next few years.

We have developed a “mixed economy” of arrangements to give agility and flexibility to accommodate changes in the macro environment. In addition we are time-honoured members of the LHC Framework arrangements. We have been members since 6 May 1983 and in the last twelve months procured £12m of services through this framework. This membership allows us to capitalise on support as required to the partnering agreement and capitalise on procurement developments being driven by LHC, for example whole house arrangements and Energy Efficiency measures to meet the Green Deal agenda. In addition, we have secured a number of contracts to deliver some specialist aspects of the programme, notably for non-traditional stock, with recently procured contracts enabling us to derive benefits from the current economic pressures being faced by the construction and building sectors.

Green Deal

We have been able to secure funding of an estimated £250,000 for hard to fill cavities at the Petra Estate. In addition, we have estimates for the next phases of non traditional construction properties, where external insulation needs to be provided which will provide an additional £180,000. However, with the changes by Government in the Green Deal funding arrangements, it will be increasingly difficult to secur3e significant levels of funding for such projects. SCS forecasts and projects project costs take account of the full costs of work, and any additional funds obtained through this route, are treated as additional income.

Our capital programme is delivered through a number of contractors and this assists with programme delivery and provides us with the flexibility to adjust our investment plans should we identify any emerging changes or deviations that pose a risk to successful programme delivery. This delivery strategy and related policy was informed by specific issues highlighted through customer surveys and our asset management database, and ensured programming of decent homes investment took account of local priorities.

5.1.4 Stock condition information

The information required for managing and maintaining all of the properties key elements and the stock condition of our housing portfolio is recorded on “Keystone”, a specialist database. This system provides both detailed storage and reporting facilities on a plethora of investment requirements and decisions. It is also capable of producing detailed investment projections using multi-faceted scenario analysis.

This system has recently been located onto the main council servers and we are now able to securely gain the benefits of the most up-to-date version of this vital tool.

The stock condition survey is updated in two ways. Firstly, a programme of annual inspections is carried out by a dedicated resource within Homes and Housing. In addition to this, as works are completed the database is updated and projections can be re-cast on the basis of the data held.

5.2 Hostels

The Council owns three hostels, providing short-term accommodation for homeless single people and families.

The existing hostels are detailed in table 8 below:

Table 8 – Existing hostels in the borough

Hostel	Number of rooms
Abercrombie House, Harold Hill	33
Will Perrin House	42
Queen Street Villas, Romford	12
Total	87

The Council has carried out a strategic hostels review. As a result, it was initially decided to reprovide the same number of hostel unit across two, rather than four, buildings. To this end, a redundant sheltered scheme in the south of the borough was converted; and Will Perrin House opened in 2013. Abercrombie House in the north of the borough has been brought up to the Decent Homes standard and reconfigured to meet current and future needs. However, in the light of increased homelessness pressures it has been decided to retain Queens Street Villas, with minimal refurbishment to maintain it as hostel accommodation. Whilst the refurbishment was underway, a vacant sheltered housing scheme has been temporarily used to provide some additional units.

5.3 Sheltered and extra-care housing

Havering has the highest proportion (17%) of older people of any London Borough. In addition to the expected housing need among this age group, we also recognise that older people's aspirations are continually rising and this means that the large numbers of bedsits with shared facilities and limited lift access within the current housing stock no longer meets that need.

We recognize that a number of schemes did not meet older people's changing expectations and aspirations, and would not be fit for future purpose As a consequence, a large number of schemes required upgrading or re-modelling. This has led to the decommissioning of seven schemes, and part of another one.

We now have 19 sheltered schemes. However with the inappropriate type of stock, some 60 are currently void[2], 51 of which are virtually impossible to let. Analysis indicates a need for 98 sheltered lets a year which at average relet rate indicates an over-supply of accommodation. Therefore, alternative uses, such as conversion to extra care or other age groups, are being considered.

5.3.1 Sheltered and extra-care housing – funding requirement

The Council has carried out a strategic review of older persons' housing needs. There is an identified need for additional extra care housing, much of which will be provided by the private and housing association sectors.

In relation to HRA housing, there is a recognised need to convert all sheltered bedsits with shared bathrooms into either self-contained bedsits or larger units. There will also need to be lifts installed or upgraded at a number of schemes.

The total cost of these works is anticipated to exceed £5m. During the first three years of the Business Plan, a total of £3.01m has been identified to commence these conversion works. This figure excludes Decent Homes costs.

5.4 High rise properties

The Council owns a number of high rise properties of 6 storeys and above (comprising 610 units). These properties require extensive works to enhance thermal comfort, as well as making them wind and watertight, reducing high instances of damp and condensation and require high levels of maintenance and investment to bring them up to the decent homes standard. The

[2] As at 29 December 2011

design of some of these property types also necessitates the adjustment of internal layouts to accommodate boiler and kitchen replacements.

5.4.1 High rise properties – funding requirement

There will be a cost of delivering improvements, to beyond the Decent Homes Standard, will total £13.554m in the next 3 years.

5.5 Garages

The Council currently owns 1520 garages. Many are in low demand. It is therefore necessary for the Council to assess whether better use can be made of these HRA assets. To this end, a number of sites have already been identified for redevelopment for affordable housing. This programme has been largely completed, with 110 number homes due to be completed by February 2014.

For those sites which are no longer in demand for garages and are unsuitable for redevelopment for housing, other alternatives are being considered, including creating hardstanding for parking, and landscaping for community use. There will be a need for £0.5m for such works over the period.

5.6 Regeneration

Harold Hill Ambitions is a key project of the Council, the aim of which is to substantially enhance the physical and social infrastructure of the Harold Hill area. Up to 40% of HRA housing stock is located in this part of the borough and so the Harold Hill Ambitions project will have a significant impact on the popularity and sustainability of the district over the lifetime of the Business Plan.

There are key aspects to the Harold Hill Ambitions programme as they relate to the HRA:

- The Housing stock has been improved to Decent Homes, with some additional work above the Decent Homes standards to improve the visual aspect of the area, as well as improving the quality of life for the majority of the residents
- two major redevelopment sites have been created by the decanting, disposal and demolition of two out-of-date bedsit bungalow sheltered schemes. Notting Hill Housing Group and Countryside Developments have been appointed to develop a mixed tenure scheme with an emphasis on affordable accommodation
- the 1970s Briar Road estate in the south west corner of Harold Hill has been identified for regeneration. This part of Harold Hill was built to a Radburn design and has a number of unattractive design features which compromise community safety and visual amenity. Notting Hill Housing Group has been appointed to develop, with HCA grant, a number of infill sites, with the receipt supporting environmental improvements across the estate.
- The central square, including a number of shops, which was included in the original Briar Road redevelopment programme will be completely redeveloped, but as a separate scheme.. The Decent Homes programme will be an integral part of this regeneration.

The Decent Homes and associated works to support Harold Hill Ambitions are already costed within the Business Plan under the borough-wide Decent Homes and additional capital works lines.

Rainham Compass is the Council's programme to improve the Rainham area in the south of the borough. There are lower levels of HRA stock in this part of the borough, particularly following the transfer of the Mardyke Estate to Old Ford Housing Association in 2008. That aside, the Council owns two tower blocks, New Plymouth and Napier Houses, in the Rainham Compass area. They are both in particularly poor repair and, allied to this, are currently unpopular, harder-to-let and experience management problems. The Council has allocated resources in 2014/15 and 2015/16 to enhance these two blocks beyond the Decent Homes standard by means of high quality cladding and the innovative addition of large, glass-encased balconies. Work on internal refurbishment – repainting communal areas, new kitchens and new bathrooms started in November 2013 and will be completed by April 2014. The contracts for the major external works will be advertised in January 2014 and it is anticipated let in July 2014.

5.7 Offices

The condition of offices within the Council's portfolio is reasonable and does not impact currently on the HRA Business Plan. There may at some time in the future be a review of the Council's owned assets in the Harold Hill area of the Borough, in order to rationalise the buildings that the Council owns and manages.

5.8 Aids and Adaptations

The age profile of the population places increasing demand on investment towards minor adaptations and remodelling in the council's housing stock. We have the highest proportion of people aged 60 and over out of the 33 London boroughs, with as many as 37% of our tenants in this age group and a further 7% being aged between 55 – 60. Furthermore, in identifying unmet disabled people's needs the Council identified that 3,323 (32.6%) council households contain someone aged 50+ include at least person with a disability.

5.9 Telecare

The Council launched its Telecare pilot in 2007. It uses new technology to offer a flexible care and support system to promote choice and improve people's independence at home. This service continues to be promoted to both Council and private sector households. Emerging opportunities include the provision of hard-wired Telecare provision within proposed new extra-care housing schemes in the Borough. It is expected that the Telecare service will provide a continual revenue stream to the HRA over the 30-year Business Plan.

In conjunction with Adult Social Care, the net number of careline and Telecare continues to increase by around 500 a year. The current funding model includes around £1 per week per client subsidy from the HRA. With a growing client base, it is anticipated that the economies of scale will reduce this level of subsidy. A detailed review of the financial model will be carried out in quarter 1 2014/15 to reassess the level of HRA subsidy, if any, required over the next three to five years given the current growth levels and any future proposal by Adult Social Care to extend careline and Telecare use among their clients.

6 Funding the Business Plan

In order to be able to achieve the objective of bringing out housing stock up to a decent standard in a good environment, we are going to have to maximise the resources available to us, and to make the best use of resources through effective procurement.

6.1 Revenue

The main source of income for the Housing Revenue Account is our rent; and Chapter 4 set out our proposals in respect of rents. We will continue to implement the Rent Restructuring regime, until 2015 when the Government propose to abolish it. If the Government insist on implementing the new financial regime, we will explore what scope there is for us to be able to continue with the rent restructuring regime until our rents have converged. If there are financial penalties associated with this course of action, we will review them, and consider what the best course of action will be after 2015. We proposed to move straight to formula rents for empty properties from 2014 onwards.

We must maintain high levels of rent collection, as collection has a direct impact on the resources that can be spent on management and maintenance each year.

6.2 Service Charges

Our policy with respect to service charges is that we aim to recover in full the cost of all the services we provide. We hope over time to be able to provide more detailed accounts of service charges for tenants, and to be able to consult with them on the level of service that they wish to see procured and whether to improve or reduce standards and frequency of service. We do not have the capacity for this level of service at this stage; but we are improving our balancing of our service charge accounts all the time.

6.3 Grant funding

The Grant funding from the Decent Homes programme has been very important to Havering, and enabled us to achieve the Decent Homes standard by March 2015.

The Council has successful bid for GLA funding towards new homes and £1.820m GLA funding has been provided towards the cost of 70 new homes to be provided over the next 2 years. The Council intends to continue to bid for GLA funding in order to continue to deliver important new homes targeted primarily at elderly people, but with some developments targeted at first time buyers.

The Council's only other resources, to achieve its objectives therefore are Revenue Contribution to Capital that the Council is able to make. This is made up of a depreciation charge and any additional amount that the Council wishes to make. The Business Plan currently assumes that spare revenue, after payment of debt, funding of management and maintenance services and ensuring that there is a base balance of £2m is devoted to capital improvements.

In the past, resources have been split between the Decent Homes Programme and other essential work, such as lifts, legionella, asbestos, or fire risk assessment works. There continues to be a need for both elements to be supported, as long as the housing stock is at Decent Homes standard by March 2015.

6.4 Capital receipts

The use of right-to-buy receipts to pay off housing debt has been covered earlier in this Plan. [] With regard to other capital receipts arising from time-to-time, the Council's position remains as it has for some time that it wishes to maximise local discretion over the use of HRA receipts and will always resolve to spend 100% of any such receipts on housing and/or regeneration purposes.

The Council has a series of major regeneration priorities, typically including new affordable housing, and these strategic priorities will remain the focus for receipts in the medium term rather than direct investment in HRA stock unless this is clearly an integral part of the regeneration of a local area.

6.5 Supporting People

We currently receive £518k a year Supporting People funding from Adult Services for supporting tenants in receipt of mobile support for older people and/or the alarm call careline. There is no longer a ring fence around the Supporting People grant, and it is possible that this funding may be vulnerable to wider General Fund pressures.

6.6 How are we going to deliver all this?

Attached to this Business Plan narrative, in Appendix A is our financial modelling of how this is all going to work. The Business Plan Model is a spreadsheet setting out what we anticipate will happen over the next 30 years. It sets out all our anticipated income and expenditure requirements, and builds in a range of assumptions that we have used to establish what we think will happen. These assumptions are set out in Appendix B.

The first three years of the business plan is set out in Table 9 below. It is based on maintaining current service expenditure increased by the base rate of inflation of 2.0%.

Table 9

Year	2014.15 1 £000	2015.16 2 £000	2016.17 3 £000
INCOME:			
Rental Income	46,465	47,954	49,300
Void Losses	(1,227)	(956)	(983)
Service Charges	6,441	6,570	6,701
Non-Dwelling Income	394	402	410
Grants & Other Income	1,328	1,345	1,371
RTB Debt Adjustment	1,805	756	756
Total Income	**55,206**	**56,070**	**57,555**
EXPENDITURE:			
General Management	(22,886)	(22,834)	(23,290)
Bad Debt Provision	(651)	(959)	(1,108)
Responsive & Cyclical Repairs	(7,359)	(7,535)	(7,686)
Total Revenue Expenditure	**(30,895)**	**(31,327)**	**(32,084)**
Interest Paid & Administration	(6,062)	(6,062)	(6,062)
Interest Received	66	38	21
Impairment	(250)	(250)	(250)
Net Operating Income	**18,065**	**18,469**	**19,181**
APPROPRIATIONS:			
Revenue Contribution to Capital	(20,353)	(21,799)	(19,164)
Total Appropriations	**(20,353)**	**(21,799)**	**(19,164)**
ANNUAL CASHFLOW	**(2,288)**	**(3,331)**	**17**
Opening Balance	7,603	5,315	1,984
Closing Balance	**5,315**	**1,984**	**2,001**

Thirty years is a long time, and it is inevitable that many of these assumptions will change. Indeed, we have seen in the first two years of the plan, that many assumptions have had to be amended. There will be further changes in Government legislation and regulation, in the economic environment, in the cost of building work and other key factors. We have therefore also run a number of sensitivity analyses to establish what would happen if any of these assumptions were different from our base model. These enable us to demonstrate that we have a reasonably robust Business Plan that will be able to deliver our ambitions for our housing stock.

To deliver our stock investment programme, the resources available for the next three years therefore are:

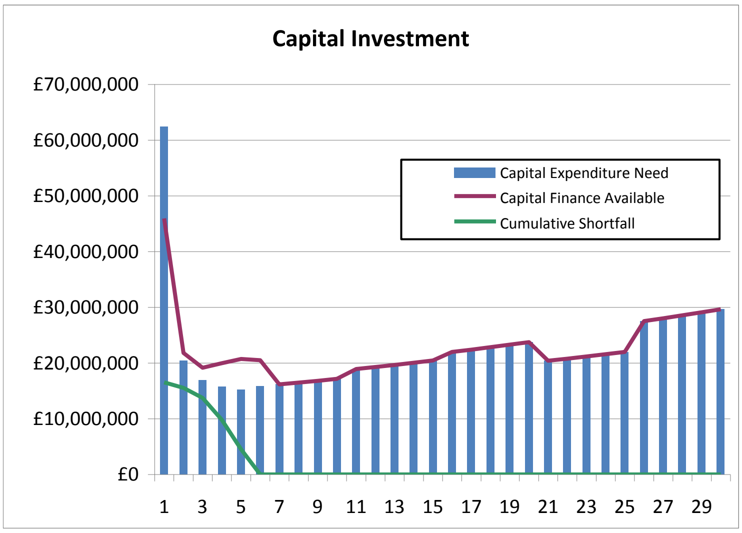
Table 10

Funding	2014/15 £000s	2015/16 £000s	2016/17 £000s
Decent Homes	23,581		
Revenue funded	20,353	21,799	19,164
Capital Reserve	2,000		
Other grant funding		1,820	
Leaseholder contribution	200	200	200
Total	46,134	23,819	19,364

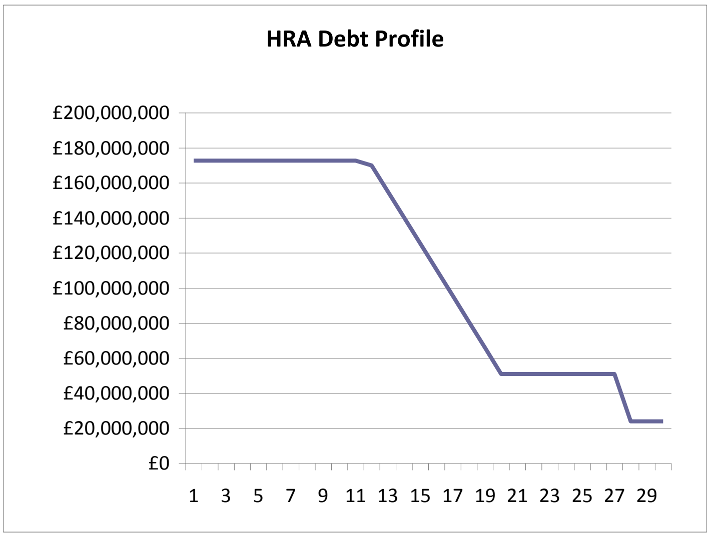
The spend profile, split between Decent Homes and other essential works in the HRA capital programme will be £89.3m over 2014-2017.

These figures are incorporated into the Business Plan model at Appendix A.

Over the 30 year business plan there is an overall investment backlog of 5 years against the stock condition survey level of investment. However it is anticipated that the decent homes backlog will be dealt with by 31st March 2015 as the increased revenue contributions for the HRA feed into the capital programme.



The debt repayment profile is fixed with a series on fixed term loans. The first loans become repayable in year 12 and continue to year 20. A final loan repayment is due in year 28 of the plan. A small residual amount of debt will be left on the plan of £24m being the initial debt on the plan prior to the introduction of self financing debt. Repayment of the debt profile is built in to the business plan as required.



Sensitivity testing of the model has been carried out using a number of different scenarios, the outcome of this sensitivity testing is included at Appendix C.

Glossary of Abbreviations and Housing Terms

Extra-care housing - These schemes are designed with the needs of frailer, older people in mind and with varying levels of care and support available. People living in extra-care housing have their own self-contained home and this form of housing includes flats, bungalow estates and retirement villages, the properties can be rented, owned or part-owned/part-rented.

Decent Homes Standard – Government definition of Decent Homes was published in 2002. To be defined as a 'decent home' a property must: meet the current statutory minimum for housing; be in a reasonable state of repair; have reasonably modern facilities; and provide a reasonable degree of thermal comfort (effective insulation and heating).

HCA – Homes and Communities Agency - the national housing and regeneration agency in England.

HiH - Homes in Havering is an Arms Length Management Organisation that has responsibility for managing and maintaining housing stock owned by Havering Council.

HRA - Housing Revenue Account – every local authority that owns housing stock is obliged to maintain a HRA. The account is ring-fenced so that all income and expenditure on managing the stock is held within the account. Councils are not allowed to transfer funds to and the General Fund.

HSSA – Housing Strategy Statistical Appendix – annual statistical return which local housing authorities are required to provide to central government.

KPIs – Key performance indicators

MRA – Major Repairs Allowance. This funding is used to bring homes up to meet the Decent Homes Standard and maintain them once backlog repairs are complete. The MRA in Havering is approximately £1,127 per property per year, equating to approximately £33,870 per property over a 30-year life. This is similar to the industry estimate cost of maintaining a property.

Non-traditional housing – these are prefabricated homes. This method has been used in the UK during periods of high demand such as during the post-war periods. Problems have arisen over the quality of materials used.

PWLB - Public Works Loan Board

RPI – Retail Price Index is a measurement of inflation. Calculated on a monthly basis, it measures the change in the cost of a basket of retail goods and services (including mortgage interest payments, food fuel). It is used as a base rate for calculating increases to social housing rents.

RSL – Registered Social Landlord, also known housing associations or registered providers.

Social housing rents – Social Housing rents (known as target rents) are calculated in accordance with a formula based 70% on local incomes and 30% on capital values. These are reviewed every year. The Government has issued specific guidance on calculating rental increases (this is RPI + 0.5%).

Supporting People – An integrated policy and funding framework for the commissioning of housing-related support for vulnerable people, introduced in 2003.

More information and background documents

More information
More information can be gained about this Business Plan from Officers detailed in the table below:

Subject area	Contact details	
Finance		
Finance and procurement	Mike Stringer	01708 432101
Treasury management	Mark White	01708 432164
Business Plan modelling	Tony Huff	01708 434155
Strategic management of housing stock		
Housing Strategy and Needs	Jonathan Geall	01708 434606
Stock condition and decent homes programme	Kevin Hazlewood	01708 434091
Overall Business Plan narrative	Sue Witherspoon	01708 433747

Appendix A(i) Business Plan model – revenue

Year	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
INCOME:														
Rental Income	46,465	47,954	49,300	50,674	52,078	53,512	54,976	56,472	57,999	59,560	61,155	62,783	64,447	66,148
Void Losses	(1,227)	(956)	(983)	(1,010)	(1,038)	(1,067)	(1,096)	(1,126)	(1,156)	(1,187)	(1,219)	(1,251)	(1,284)	(1,318)
Service Charges	6,441	6,570	6,701	6,835	6,972	7,111	7,253	7,398	7,546	7,697	7,851	8,008	8,169	8,332
Non-Dwelling Income	394	402	410	418	426	435	444	453	462	471	480	490	500	510
Grants & Other Income	1,328	1,345	1,371	1,399	1,427	1,455	1,485	1,514	1,545	1,575	1,607	1,639	1,672	1,705
RTB Debt Adjustment	1,805	756	756	756	735	735	735	735	735	714	714	714	714	714
Total Income	**55,206**	**56,070**	**57,555**	**59,072**	**60,600**	**62,181**	**63,796**	**65,446**	**67,131**	**68,830**	**70,588**	**72,383**	**74,217**	**76,090**
EXPENDITURE:														
General Management	(22,886)	(22,834)	(23,290)	(23,756)	(24,231)	(24,716)	(25,210)	(25,714)	(26,229)	(26,753)	(27,288)	(27,834)	(28,391)	(28,959)
Bad Debt Provision	(651)	(959)	(1,108)	(1,265)	(1,429)	(1,601)	(1,645)	(1,690)	(1,736)	(1,782)	(1,830)	(1,879)	(1,929)	(1,979)
Responsive & Cyclical Repairs	(7,359)	(7,535)	(7,686)	(7,803)	(7,918)	(8,034)	(8,152)	(8,271)	(8,392)	(8,514)	(8,638)	(8,764)	(8,891)	(9,020)
Total Revenue Expenditure	**(30,895)**	**(31,327)**	**(32,084)**	**(32,824)**	**(33,578)**	**(34,351)**	**(35,007)**	**(35,676)**	**(36,356)**	**(37,050)**	**(37,757)**	**(38,477)**	**(39,210)**	**(39,958)**
Interest Paid & Administration	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(8,762)	(20,610)	(20,154)
Interest Received	66	38	21	21	21	26	63	130	204	286	369	438	443	399
Impairment	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Net Operating Income	**18,065**	**18,469**	**19,181**	**19,958**	**20,731**	**21,545**	**22,541**	**23,589**	**24,667**	**25,755**	**26,888**	**25,333**	**14,590**	**16,127**
APPROPRIATIONS:														
Revenue Contribution to Capital	(20,353)	(21,799)	(19,164)	(19,958)	(20,731)	(20,507)	(16,179)	(16,497)	(16,820)	(17,150)	(18,914)	(19,283)	(19,659)	(20,041)
Total Appropriations	**(20,353)**	**(21,799)**	**(19,164)**	**(19,958)**	**(20,731)**	**(20,507)**	**(16,179)**	**(16,497)**	**(16,820)**	**(17,150)**	**(18,914)**	**(19,283)**	**(19,659)**	**(20,041)**
ANNUAL CASHFLOW	**(2,288)**	**(3,331)**	**17**	**(0)**	**0**	**1,038**	**6,361**	**7,092**	**7,846**	**8,605**	**7,974**	**6,050**	**(5,069)**	**(3,914)**
Opening Balance	7,603	5,315	1,984	2,001	2,001	2,001	3,039	9,400	16,491	24,338	32,943	40,917	46,967	41,898
Closing Balance	**5,315**	**1,984**	**2,001**	**2,001**	**2,001**	**3,039**	**9,400**	**16,491**	**24,338**	**32,943**	**40,917**	**46,967**	**41,898**	**37,984**

Appendix A(i)   Business Plan model – revenue

Year	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43
	16	17	18	19	20	21	22	23	24	25	26	27	28	29
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
INCOME:														
Rental Income	69,659	71,472	73,325	75,218	77,152	79,128	81,148	83,211	85,319	87,473	89,674	91,922	94,220	96,56
Void Losses	(1,388)	(1,424)	(1,461)	(1,499)	(1,538)	(1,577)	(1,617)	(1,658)	(1,700)	(1,743)	(1,787)	(1,832)	(1,877)	(1,924
Service Charges	8,668	8,842	9,019	9,199	9,383	9,571	9,762	9,957	10,157	10,360	10,567	10,778	10,994	11,21
Non-Dwelling Income	530	541	552	563	574	585	597	609	621	634	646	659	672	68
Grants & Other Income	1,774	1,810	1,846	1,883	1,920	1,959	1,998	2,038	2,079	2,120	2,163	2,206	2,250	2,29
RTB Debt Adjustment	693	693	693	693	693	672	672	672	672	672	672	672	672	67
Total Income	**79,936**	**81,933**	**83,973**	**86,056**	**88,185**	**90,338**	**92,559**	**94,829**	**97,147**	**99,515**	**101,934**	**104,406**	**106,930**	**109,50**
EXPENDITURE:														
General Management	(30,129)	(30,731)	(31,346)	(31,973)	(32,612)	(33,264)	(33,930)	(34,608)	(35,300)	(36,006)	(36,726)	(37,461)	(38,210)	(38,97
Bad Debt Provision	(2,084)	(2,139)	(2,194)	(2,251)	(2,309)	(2,368)	(2,428)	(2,490)	(2,553)	(2,617)	(2,683)	(2,750)	(2,819)	(2,88
Responsive & Cyclical Repairs	(9,282)	(9,415)	(9,550)	(9,687)	(9,825)	(9,965)	(10,107)	(10,250)	(10,395)	(10,542)	(10,690)	(10,841)	(10,992)	(11,14
Total Revenue Expenditure	**(41,495)**	**(42,285)**	**(43,090)**	**(43,910)**	**(44,746)**	**(45,597)**	**(46,464)**	**(47,348)**	**(48,248)**	**(49,166)**	**(50,100)**	**(51,052)**	**(52,022)**	**(53,01**
Interest Paid & Administration	(19,210)	(18,723)	(18,228)	(17,726)	(17,216)	(2,115)	(2,115)	(2,115)	(2,115)	(2,115)	(2,115)	(2,115)	(28,588)	(1,16
Interest Received	339	319	311	317	335	460	689	931	1,184	1,451	1,705	1,947	2,069	2,20
Impairment	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(25
Net Operating Income	**19,321**	**20,994**	**22,716**	**24,487**	**26,309**	**42,836**	**44,420**	**46,047**	**47,718**	**49,436**	**51,175**	**52,936**	**28,140**	**57,29**
APPROPRIATIONS:														
Revenue Contribution to Capital	(21,977)	(22,402)	(22,834)	(23,275)	(23,723)	(20,386)	(20,777)	(21,176)	(21,581)	(21,993)	(27,503)	(28,026)	(28,558)	(29,10
Total Appropriations	**(21,977)**	**(22,402)**	**(22,834)**	**(23,275)**	**(23,723)**	**(20,386)**	**(20,777)**	**(21,176)**	**(21,581)**	**(21,993)**	**(27,503)**	**(28,026)**	**(28,558)**	**(29,10**
ANNUAL CASHFLOW	**(2,656)**	**(1,408)**	**(119)**	**1,212**	**2,586**	**22,451**	**23,642**	**24,871**	**26,137**	**27,442**	**23,672**	**24,910**	**(419)**	**28,19**
Opening Balance	35,266	32,610	31,202	31,084	32,295	34,881	57,332	80,974	105,845	131,982	159,424	183,097	208,007	207,58
Closing Balance	**32,610**	**31,202**	**31,084**	**32,295**	**34,881**	**57,332**	**80,974**	**105,845**	**131,982**	**159,424**	**183,097**	**208,007**	**207,588**	**235,78**

Appendix A(ii)   Business Plan model – capital

Year	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	202
	1	2	3	4	5	6	7	8	9	10	11	12	13	1
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£0
EXPENDITURE:														
Planned Variable Expenditure	(49,861)	(18,585)	(14,649)	(13,469)	(13,734)	(14,587)	(14,873)	(15,164)	(15,461)	(15,763)	(17,394)	(17,732)	(18,077)	(1
Planned Fixed Expenditure	(4,114)	(988)	(1,013)	(1,038)	(290)	(59)	(61)	(62)	(64)	(66)	(67)	(69)	(71)	
Procurement Fees	(4,318)	(1,566)	(1,253)	(1,161)	(1,122)	(1,172)	(1,195)	(1,218)	(1,242)	(1,266)	(1,397)	(1,424)	(1,452)	(
Previous Year's Overall Shortfall	-	(16,945)	(15,925)	(14,060)	(10,063)	(4,640)	-	-	-	-	-	-	-	
New Build - net cost	(4,173)	748	(41)	(47)	(49)	(50)	(51)	(52)	(54)	(55)	(56)	(58)	(59)	
Total Capital Expenditure	**(62,466)**	**(37,335)**	**(32,881)**	**(29,775)**	**(25,257)**	**(20,507)**	**(16,179)**	**(16,497)**	**(16,820)**	**(17,150)**	**(18,914)**	**(19,283)**	**(19,659)**	**(2**
FUNDING:														
Major Repairs Reserve	2,000	-	-	-	-	-	-	-	-	-	-	-	-	
Other Receipts	23,581	-	-	-	-	-	-	-	-	-	-	-	-	
Revenue Contributions	20,353	21,799	19,164	19,958	20,731	20,507	16,179	16,497	16,820	17,150	18,914	19,283	19,659	2
Total Capital Funding	**45,934**	**21,799**	**19,164**	**19,958**	**20,731**	**20,507**	**16,179**	**16,497**	**16,820**	**17,150**	**18,914**	**19,283**	**19,659**	**2**
In Year Net Cashflow	**(16,532)**	**(15,536)**	**(13,717)**	**(9,818)**	**(4,526)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Cumulative Position	**(16,532)**	**(15,536)**	**(13,717)**	**(9,818)**	**(4,526)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	

Notes: (i) Individual figures subject to rounding in contributing tables.
(ii) Capital totals exclude leaseholder contributions which have been included in projections elsewhere.

Appendix A(ii) Business Plan model – capital

Year	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042
	16	17	18	19	20	21	22	23	24	25	26	27	28	2
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£0
EXPENDITURE:														
Planned Variable Expenditure	(20,214)	(20,605)	(21,002)	(21,406)	(21,818)	(18,725)	(19,083)	(19,448)	(19,820)	(20,197)	(25,294)	(25,775)	(26,263)	(2
Planned Fixed Expenditure	(76)	(78)	(80)	(82)	(84)	(86)	(88)	(90)	(93)	(95)	(97)	(100)	(102)	
Procurement Fees	(1,623)	(1,655)	(1,687)	(1,719)	(1,752)	(1,505)	(1,534)	(1,563)	(1,593)	(1,623)	(2,031)	(2,070)	(2,109)	(
Previous Year's Overall Shortfall	-	-	-	-	-	-	-	-	-	-	-	-	-	
New Build - net cost	(63)	(65)	(66)	(67)	(69)	(70)	(72)	(74)	(76)	(78)	(80)	(82)	(84)	
Total Capital Expenditure	**(21,977)**	**(22,402)**	**(22,834)**	**(23,275)**	**(23,723)**	**(20,386)**	**(20,777)**	**(21,176)**	**(21,581)**	**(21,993)**	**(27,503)**	**(28,026)**	**(28,558)**	**(2**
FUNDING:														
Major Repairs Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	
Revenue Contributions	21,977	22,402	22,834	23,275	23,723	20,386	20,777	21,176	21,581	21,993	27,503	28,026	28,558	2
Total Capital Funding	**21,977**	**22,402**	**22,834**	**23,275**	**23,723**	**20,386**	**20,777**	**21,176**	**21,581**	**21,993**	**27,503**	**28,026**	**28,558**	**2**
In Year Net Cashflow	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cumulative Position	-	-	-	-	-	-	-	-	-	-	-	-	-	

Appendix B – Assumptions within the Business Plan

General Inflation (RPI)	2.0%
Rent Inflation (RPI+½%)	3.0%
Capital Inflation (CPI+½%)	2.5%
Right to Buy Sales per annum	50 (100 in 2014/15)
Void rate	2.5% year 1 2.0% onwards
Bad Debt	1% year 1 to 3% year 6
Interest rate on debt average to year 14	3.48%
Interest Rate on balances	1.0%
Decent Homes Grant 2014/15	£23.581m

2014/15 HRA budget is baseline position
Right to Buy Useable Receipts used by General Fund
Minimum Working Balances £2m
Rent increases follow government rent restructuring formula until 2015 and thereafter CPI + 1%

Appendix C Scenario testing

SCENARIO		HRA Surplus Point (>£2m) Year	HRA Balances @ Year 30	SCS Investment Backlog Cleared Year
1	Baseline	6	£265m	5
2	CPI = 3% rather than 2%	6	£369m	5
3	Inflation on capital 1% > CPI	7	£209m	6
4	RTB sales remain at 100 instead of 50 per annum from year 2	6	£200m	5
5	Bad debt provision reaches 5% of debit due to welfare reform	7	£223m	6
6	Real ½% inflation on rents	7	£97m	7 Further backlog years 16 -21
7	No real 1% inflation on rents	Remains @ £2m for 30 years	£2m	£70m backlog year 30

Business plan viable on basis of 3% rent increase per annum. Any other variables can be accommodated within the plan except for rent increase variance. The key scenario that affects the 30 year viability of the business plan is inflation only rent increases over the 30 year period.