

AGENDA



For a meeting of the
RESOURCES POLICY DEVELOPMENT GROUP
to be held on
THURSDAY, 24 JULY 2014
at
2.00 PM
in
COUNCIL CHAMBER - COUNCIL OFFICES, ST. PETER'S HILL, GRANTHAM. NG31 6PZ
Beverly Agass, Chief Executive

Group Members:	Councillor Mark Ashberry, Councillor Jean Bevan, Councillor Nick Craft (Chairman), Councillor Nick Robins, Councillor Bob Sandall, Councillor Trevor Scott (Vice-Chairman) and Councillor Jacky Smith
Portfolio Holders:	Councillor Teri Bryant, Portfolio: Good Housing Councillor Mike Taylor, Portfolio: Strategic Resources - Well Run Council
Support Officer:	Jo Toomey Tel: 01476 40 61 52 E-mail: j.toomey@southkesteven.gov.uk

Members of the Group are invited to attend the above meeting to consider the items of business listed below.

9. HOUSING REVENUE ACCOUNT BUSINESS PLAN

Report by the Head of Housing and Neighbourhoods.

(Enclosure)

Your council working for you

REPORT TO RESOURCES PDG

REPORT OF: *Head of Housing & Neighbourhoods*

REPORT NO: H&N05/14

DATE: 24th July 2014

TITLE:	<i>Housing Revenue Account Business Plan</i>	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	<i>Policy framework proposal</i>	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	<i>Cllr. Terl Bryant Support good housing for all</i>	
CONTACT OFFICER:	<i>Ian Richardson/Tracey Blackwell</i>	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below	Full impact assessment Required: No
Equality and Diversity		
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	<i>None</i>	

1. RECOMMENDATIONS

The Resources PDG is recommended to:

- i. Consider the draft Housing Revenue Account Business Plan, and;
- ii. Make comments and/or recommendations to assist Cabinet in determining the Plan at its 1st September meeting.

2. PURPOSE OF THE REPORT

This report presents to the Resources PDG the draft Business Plan for the Housing Revenue Account. The PDG is recommended to consider the draft Business Plan and to make comments and/or recommendations for the consideration of Cabinet which will be invited to approve the Business Plan at its meeting on 1st September

3. DETAILS OF REPORT

- 3.1 The Housing Revenue Account (HRA) Business Plan sets out the Council's priorities for housing and how the delivery of those priorities will be financed over a thirty year period. A number of assumptions are made in undertaking the financial modelling of the Plan and these are set out in an appendix to the Plan.
- 3.2 Because it is difficult to predict with any certainty many years into the future, the Plan is intended to be thoroughly reviewed at intervals of five years; however, appropriately authorised changes to the Plan can be made at any point if circumstances dictate.
- 3.3 The current draft Plan is the first to be prepared since the HRA became 'self-financing'. Essentially, this has involved the Council taking on borrowing to make a payment to the government of £121.65m in order to be released from the previous subsidy system which had resulted in SKDC being in 'negative subsidy' and a resultant requirement to hand over a significant proportion of HRA income. The net effect of the self-financing arrangement is beneficial and is referred to in more detail in the draft Business Plan.
- 3.4 The Resources PDG has previously, in 'workshop' sessions, discussed the priorities for the Plan, the financial assumptions and the scope for investment, the latter being illustrated in the draft Plan with 'options' for investment. The draft Plan contains three options with respect to differing levels of investment. The options range from investment utilising existing resources with no further borrowing through to maximising the borrowing headroom available to the HRA. It would be helpful if the PDG would indicate the level of investment it would prefer to be made in further housing provision over the medium term beyond the current 33 new homes.
- 3.5 The PDG is invited to make comments and/or recommendations to Cabinet to assist Cabinet in determining the Plan. In considering the draft Plan the PDG is reminded that the HRA is a 'ring-fenced' account operating independently of the Council's General Fund.

4. OTHER OPTIONS CONSIDERED

None

5. RESOURCE IMPLICATIONS

Once approved, the Business Plan will provide the framework for the full range of Housing Revenue Account activity, including income and expenditure, capital and revenue.

6. RISK AND MITIGATION

The Business Plan is integral to the financial integrity and effective management of Housing Revenue Account activities. A range of risk

management and mitigation arrangements are in place to ensure the continuing viability of the business plan.

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

An initial EIA has been undertaken and there are no issues arising which require further assessment or restrict the adoption of the Business Plan.

8. CRIME AND DISORDER IMPLICATIONS

No specific implications arising from preparation of the Business Plan.

9. COMMENTS OF FINANCIAL SERVICES

The HRA currently has a 30 year financial business plan that demonstrates the financial viability over the period. The proposed business plan introduces a number of opportunities that will include investment in new homes. The implications of these proposals will require careful modelling to determine the longer term financial implications of the decisions made.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

The Localism Act 2011 gives the statutory basis for the HRA self-financing arrangements for local authority social housing set out in this paper. The self financing system has been effective as from April 2012.

11. COMMENTS OF OTHER RELEVANT SERVICES

None provided.

12. APPENDICES:

The draft Housing Revenue Account Business Plan

HOUSING REVENUE ACCOUNT

Year	Other		Interest	Total	Sup. & Mgt	Revenue	Depreciation	Other Revenue	MRB Trf	Date	Int. - OM	Int. - New	Total Expnd.	Surplus/ (Deficit)	Bal. B/Fwd.	Bal. C/Fwd.	
	Net	Income															
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
1	2012.13	2297	5616	229	24607	4640	7489	5200	499	0	1591	215	3402	22946	1660	8171	9831
2	2013.14	2459	5684	330	26183	4929	7781	2936	470	3240	3222	160	3304	23221	963	8263	12826
3	2014.15	24781	882	404	26087	3742	7642	2589	480	3334	3222	160	3206	24875	1692	18326	15518
4	2015.16	29949	905	549	27403	3772	7637	2594	846	3523	3222	133	3309	24936	2548	15338	18986
5	2016.17	26849	338	534	28111	3812	7965	2598	875	3717	3222	130	3611	25270	3041	18886	21226
6	2017.18	27663	960	633	29226	3945	8160	2597	903	3924	3222	102	3914	25768	3489	21216	24615
7	2018.19	28500	994	633	30407	4084	8423	2595	932	3937	3222	86	3916	26005	4332	24615	26027
8	2019.20	29811	1029	743	31699	4226	8694	2593	973	3196	2822	86	3718	25910	-16016	28927	9910
9	2020.21	30244	1050	743	31893	4274	8973	2591	993	3480	3222	86	3713	25749	-6344	30101	10504
10	2021.22	31155	1100	743	33000	4527	9262	2590	1025	3579	3222	86	3716	26116	6685	30104	12779
11	2022.23	32094	1141	915	34149	4886	9559	2589	1057	3778	3222	86	3728	26905	7244	27799	29983
12	2023.24	33051	1181	915	35300	4850	9865	2588	1091	4088	3222	86	3830	27481	6000	29683	30482
13	2024.25	34053	1222	1236	36541	5020	10182	2587	1126	5137	3222	86	3733	29002	7649	30882	44332
14	2025.26	35072	1260	1437	37794	5195	10506	2586	1162	5385	3222	86	3835	29778	8017	44322	52348
15	2026.27	36122	1309	1632	39093	5377	10842	2585	1199	5641	3222	86	3937	30489	8409	45348	60952
16	2027.28	37202	1355	1842	40440	5562	11187	2584	1237	5900	3222	86	4040	31222	8717	46352	70169
17	2028.29	38315	1402	2044	41852	5760	11544	2584	1277	6169	3222	86	4142	32004	8937	47369	80004
18	2029.30	39460	1451	2240	43331	5962	11912	2584	1317	6437	3222	86	4244	32844	9167	48389	90424
19	2030.31	41444	1500	2433	44900	6170	12291	2583	1355	6706	3222	86	4347	33734	9407	49414	101004
20	2031.32	43443	1550	2626	46464	6386	12680	2583	1403	6974	3222	86	4450	34674	9647	50444	112004
21	2032.33	45464	1600	2819	48029	6606	13070	2582	1451	7242	3222	86	4553	35614	9887	51474	123004
22	2033.34	47504	1650	3012	49594	6841	13464	2582	1499	7510	3222	86	4656	36554	10127	52504	134004
23	2034.35	49564	1700	3205	51154	7088	13862	2582	1547	7796	3222	86	4759	37494	10367	53534	145004
24	2035.36	51634	1750	3398	52714	7338	14264	2582	1595	8082	3222	86	4862	38434	10607	54564	156004
25	2036.37	53714	1800	3591	54274	7590	14670	2582	1643	8368	3222	86	4965	39374	10847	55594	167004
26	2037.38	55804	1850	3784	55834	7854	15080	2582	1691	8654	3222	86	5068	40314	11087	56624	178004
27	2038.39	57904	1900	3977	57394	8120	15494	2582	1739	8940	3222	86	5171	41254	11327	57654	189004
28	2039.40	60014	1950	4170	58954	8398	15912	2582	1787	9226	3222	86	5274	42194	11567	58684	200004
29	2040.41	62134	2000	4363	60514	8678	16334	2582	1835	9512	3222	86	5377	43134	11807	59714	211004
30	2041.42	64264	2050	4556	62074	8960	16760	2582	1883	9798	3222	86	5480	44074	12047	60744	222004
31	2042.43	66404	2100	4749	63634	9244	17190	2582	1931	10084	3222	86	5583	45014	12287	61774	233004

MAJOR REPAIRS RESERVE

Year	Debt	Capital	National	Depr'n	Capital	Bal. in Tr.	Bal. B/Fwd.	Bal. C/Fwd.	Borrowing
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
1	2012.13	0	0	0	5200	569	1611	5348	14582
2	2013.14	0	0	3140	2595	4770	965	3396	4862
3	2014.15	0	0	3334	2589	5960	27	4361	21026
4	2015.16	0	0	3523	2594	4230	2997	4335	24248
5	2016.17	0	0	3717	2598	4249	2066	6332	27470
6	2017.18	0	0	3924	2597	5363	1358	8398	30692
7	2018.19	0	0	3937	2596	5600	922	9766	33914
8	2019.20	0	0	3196	2593	5789	0	10678	36216
9	2020.21	0	0	3480	2591	5977	0	11678	38528
10	2021.22	0	0	3778	2589	6367	0	12702	40850
11	2022.23	0	0	4088	2588	6485	0	13754	43184
12	2023.24	0	0	5137	2587	7724	0	14832	45636
13	2024.25	0	0	5385	2586	7971	0	15938	48214
14	2025.26	0	0	5641	2585	8226	0	17062	50916
15	2026.27	0	0	5900	2584	8484	0	18204	53722
16	2027.28	0	0	6169	2584	8743	0	19364	56654
17	2028.29	0	0	6437	2584	9004	0	20542	59714
18	2029.30	0	0	6706	2583	9266	0	21738	62892
19	2030.31	0	0	6974	2583	9530	0	22952	66194
20	2031.32	0	0	7242	2582	9796	0	24184	69624
21	2032.33	0	0	7510	2582	10064	0	25434	73184
22	2033.34	0	0	7778	2582	10334	0	26702	76874
23	2034.35	0	0	8046	2582	10606	0	27988	80694
24	2035.36	0	0	8314	2582	10880	0	29292	84634
25	2036.37	0	0	8582	2582	11156	0	30614	88694
26	2037.38	0	0	8850	2582	11434	0	31954	92874
27	2038.39	0	0	9118	2582	11714	0	33314	97174
28	2039.40	0	0	9386	2582	12000	0	34694	101594
29	2040.41	0	0	9654	2582	12288	0	36094	106134
30	2041.42	0	0	9922	2582	12578	0	37514	110794
31	2042.43	0	0	10190	2582	12870	0	38944	116574

Business Plan Assumptions

Rent Income:
Average rents for the first three years are taken from the rent setting spreadsheet which provides for 2014/25, 2015/16 + 22% uplift with progress towards formula rents where convergence will be assumed to occur in 2015/16. Thereafter, it is assumed that national rent policy is followed, i.e. CPI + 1.0%. CPI is assumed to be 2.3%
RTS in 2012/14 = 34, thereafter as assumed in the self-financing model for the appropriate year.
New builds of 33 are assumed to be completed in 2014/15 for letting in 2015/16
Additional 2 week rental income added to account for 53 rent weeks in 13/14, 14/20, 24/25, 30/31, 25/36 & 41/42
Other Income:
Consists of Charges for Services and Facilities; Other Rents; Wayleaves, etc. First three years as per budget, then increased by 3.5% p.a.
Interest Reserves:
First three years in accordance with budget. Thereafter, calculated on estimated balances at rates between 2.00% and 2.5%.
Expenditure:
Supervision & Management
First three years in accordance with budget, then increased by 3.5% p.a.
Revenue Receipts:
First three years in accordance with budget, then increased by 3.5% p.a. Model adjusts for declining stock using same RTB estimates as in Rent Income calculation.
Depreciation:
First three years in accordance with budget, thereafter increased by 3.5% p.a. and reduced for declining stock.
Other Revenue:
Consists of Provision for Bad Debts; Debt Management Expenses; and Corporate & Democratic Core. First three years in line with budget, then increased at 3.5% p.a.
Debt Repayment:
€3,222 p.a. on large EP loan, but shown in BP net of difference between exerts of depreciation over major improvements. Provision in 2019/20 increased to cover repayment of E25M Maturity loan from HRA Balance.
Interest Payable:
Calculated by the model in accordance with the terms of actual loans taken out.
M.S.R.
Improvements:
As per the Capital Programme for first four years. Thereafter, Apex figure used, adjusted for inflation (3.5% used) and declining stock numbers.
Depreciation Transfer:
The calculated depreciation figure is transferred in from the HRA section.
National MRA:
As per budget book thereafter funding capital expenditure projections
Loan Repayment Reserve:
This is a separate reserve to build up funds to repay the E25M loan in 2019/20 whereas the business plan allows for the loan to be repaid from the working balance
HRA Capital Receipts Reserve:
There is a separate tab at the end which has not been linked to this summary tab
Other Reserves:
These include the Insurance reserve and the HRA Improvement reserve

South Kesteven District Council

Housing Revenue Account

Business Plan

2014 – 2019

(Draft V8)

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1. Executive Summary

Clear strategic objectives, effective asset management and robust financial strategy and planning are crucial components in the delivery of SKDC's services. The financial resources underpinning and enabling delivery of council owned housing services are included in the Housing Revenue Account Business Plan (HRA BP). This plan sets out the key areas of focus for the medium term whilst ensuring that sufficient revenue and capital resources are available to support long term investment in the existing social housing stock and associated services. The plan demonstrates how investment in these housing assets is utilised to deliver SKDC's overall Housing Strategy and the significant contribution it makes to support the delivery of wider economic and environmental priorities which are essential to the sustainability of the service.

The HRA subsidy system was replaced by a new regime of self-financing in April 2012, enabled by the Localism Act 2011. The 'old' regime placed SKDC in a 'negative subsidy' position, under which £11M of the Council's rental income stream was passed to the government for redistribution to other councils. In April 2012, in return for a one-off payment to the government of £121.65M, funded by borrowing, the Council is now able to retain its rental income in full. The net effect is beneficial to the Council: this is the first revised HRA Business Plan since the new financial regime was introduced, replacing and updating the HRA Business Plan 2010 – 2014. However the Housing Revenue Account remains 'ring-fenced' and therefore all of the HRA activities are funded by the rent payers themselves and the HRA cannot receive financial contributions from the General Fund.

The projected surpluses on the Housing Revenue Account will enable the Council to deliver a significant investment programme within the life of the Business Plan thereby contributing to corporate priorities. The profiling of debt repayment, together with other Business Plan assumptions, indicates accumulated surpluses over the 30 year period of the Financial Plan which provides the Authority with opportunities for further investment in social housing.

The profile of surpluses available for investment could be varied by utilising a number of different financial arrangements. Specifically the authority could decide to refinance its maturity loan and maximise its borrowing headroom over the medium term which would bring forward the availability of capital funding to enable investment in social housing.

A number of financial assumptions including interest rates, rent setting, void rates, bad debt levels, repairs costs have been used in the Business Plan financial model: these and other Business Plan assumptions will be kept under review to ensure that the Business Plan remains a robust tool in the delivery of the Council's priorities.

This Business Plan complements and can be read in conjunction with the Council's Corporate Plan 2011 -2015, Housing Asset Management Strategy 2013 – 2018, Customer access Strategy, Economic Development, Cleaner Greener Healthier Strategy; the Local Plan for South Kesteven (currently comprising the Core Strategy (adopted 2012) and the Sites and Allocations Policy (adopted 2014).

The key areas of activity represented by the Business Plan are:

- Investment in sustaining and improving the existing council housing stock;
- Developing new housing, and;
- Delivering value for money across all aspects of the service.

In summary, this Business Plan provides the framework within which housing activities will be planned, delivered and resourced.

2. Introduction

- 2.1 The Housing Revenue Account (HRA) Subsidy System was replaced in April 2012 with a new regime of self financing. Migrating to the self financing regime required the Council to make a one-off payment of £121.652m, funded by a borrowing arrangement over 30 years.
- 2.2 In return for taking on this debt, the Council is now able to keep its rental income in full. This self financing approach requires a more detailed consideration of a number of options including asset management, the potential for capital investment in new housing, service delivery standards and debt profiling.
- 2.3 A primary objective of the Business Plan is to enable achievement of the Council's strategic housing priorities in support of the over-arching priorities set out in the Corporate Plan: these corporate and housing priorities are set out below.
- 2.4 The Housing Revenue Account is a 'ring-fenced' account. In other words all of its expenditure needs to be met completely by the income it receives from its tenants. It cannot receive any financial assistance from the General Fund and the Council Tax payer. Therefore it is imperative it can fully meet its statutory and Business Plan ambitions from the rental income it receives from the housing stock.

3. Vision

- 3.1 The housing vision sits within the broader vision of the Council which aims, by 2021, *'to create vibrant communities where people want to live, work and invest.'*

The key corporate priorities of the Council are to:

- Grow the economy;
 - Support good housing for all;
 - Keep SK clean, green and healthy, and to;
 - Promote leisure, arts and culture, all of these underpinned by the priority of having a Well run Council.
- 3.2 The Council recognises that strategic use of its housing stock can play an important role in helping to achieve the Council's broader objectives, consistent also with the four strategic housing priorities set out in the Housing Strategy 2013 – 2018:
- High quality new affordable homes available to buy or rent
 - Improved housing standards across the district and for all tenures
 - Access to housing and wellbeing services
 - Promotion of sustainable neighbourhoods and communities

3.3 Table 1, below, sets out some of the key linkages between activities funded by the Housing Revenue Account and the wider activities of the Council.

Table 1 - key linkages between activities funded by the Housing Revenue Account and the wider activities of the Council

Activity	Contribution of the housing service
Strategic partnerships	<p>The Lincolnshire District Housing Network; a county-wide forum involving all of the district councils</p> <p>The Lincolnshire Affordable Housing Group; which helps to coordinate the delivery of new affordable housing, bringing together a range of partners</p> <p>The County Homelessness Group; which shares good practice and helps coordinate approaches to homelessness in Lincolnshire</p> <p>Safeguarding Adults and Children; representing the Council and discharging its responsibilities as part of the County Council led, county-wide strategy</p> <p>The Armed Forces Community Covenant; addressing the effective integration of serving and former armed forces personnel and their families with their host communities</p>
Housing Management and Maintenance	<p>Customer access: face to face accessibility of dedicated housing staff at Bourne Community Access Point and Grantham Council Offices. Generic customer service staff, with dedicated housing staff by appointment, via council offices at Stamford and The Deepings.</p> <p>Dedicated housing management arrangements for sheltered housing - including the provision of weekly surgeries at each of the sheltered housing complexes.</p>
Value for Money (VfM) and Efficiency	<p>The housing service aims, particularly through the procurement of repairs, maintenance and investment in new housing, to achieve VfM and efficiency; working in partnership with Lincolnshire Procurement where appropriate. Membership of HouseMark, the sector's leading performance benchmarking service, also provides the means for comparing performance both over time and against other housing providers.</p>
Public Health and Wellbeing	<p>The provision in sheltered housing of 'Helpline' alarm services, together with fire and carbon monoxide detection, promotes the health, wellbeing and independence of older and vulnerable people and integrates with the support services commissioned by the County Council.</p> <p>Sheltered housing also presents opportunities for activities and socializing which can promote both physical and mental wellbeing.</p> <p>Investment in adaptations.</p>

	Availability of good quality, affordable, housing - contributing to the overall wellbeing of occupants and the quality of local neighbourhoods.
Economic Development	SKDC is the biggest landlord in the District with an annual turnover of £24M from HRA activities, contributing significantly to the local economy; not least in terms of expenditure on repairs and improvements and through the recycling into the local economy of the salaries of staff. The provision of affordable homes is a key factor in the Greater Lincolnshire Local Economic partnership (GLLEP) and SKDC is able to contribute through its housing investment activities; working with the Homes & Communities Agency (HCA) and Registered Provider (RP) partners to access funding sources and in identifying and bringing forward development opportunities.
Community Safety	SKDC works collaboratively with the Police and others in an effort to ensure that our neighbourhoods are safe places to be. Arrangements include the secondment of a housing officer into the corporate Community Safety team; to address tenancy related issues.
Affordable Warmth	The Council's asset management strategy includes as a priority the need to improve the energy efficiency of the existing housing stock and to adopt a 'fabric first' approach to the procurement of new housing which focuses on the achievement of environmentally sustainable homes. These approaches are intended to both limit the environmental impact of the housing stock and to ensure that affordable warmth is available to those who live in the Council's housing.

- 3.4 The Council's Housing Strategy 2013-18 and the Asset Management Strategy 2013-18 provide a fuller analysis of the role that housing plays in the achievement of wider council objectives. These strategies are underpinned by operational work plans which support delivery of the strategic objectives and are reviewed annually.

4. Tenant Empowerment and Scrutiny

- 4.1 The Homes and Communities Agency's regulatory framework for housing organisations incorporates the principle of 'co-regulation'. In practice this means that, in return for 'lighter touch' regulation and inspection, housing organisations are expected to be able to demonstrate effective and meaningful arrangements are in place to enable tenants to influence the services they receive and to hold their landlord to account. SKDC has been developing arrangements in support of this principle.
- 4.2 SKDC's arrangements for tenant engagement and involvement changed during 2013/14 to ensure that there is greater transparency and accountability on the part of the Council.

- . The previous District-wide association of residents' groups was replaced as the primary focus of engagement activity with the introduction of two 'Service Review Groups'; each comprising of a number of tenant volunteers selected following assessment against a role specification. The Service Review Groups are supported to review service issues and to influence how service might be improved.
- 4.3 There is also the facility for the two Service Review Groups, in total or in part, to provide a tenant scrutiny function in relation to specific aspects of service and in providing representatives to 'Tenants' Panels' convened in accordance with the corporate complaints procedures before a complaint is referred to the Housing Ombudsman.
- 4.4 As part of a developing approach to involvement and engagement, consideration is also being given to how channels of communication can be improved in the digital age and services delivered to a diverse range of service users; taking advantage of the range of information and communications technologies including the internet and social media whilst still recognising the value of face to face contact where this is appropriate.

5. Service Standards and Value for Money

- 5.1 The Homes & Communities Agency's regulatory framework for local authorities incorporates 'consumer' standards and includes:
 - Tenant Involvement & Empowerment (relating to customer service, choice and complaints; involvement and empowerment and understanding and responding to the diverse needs of tenants)
 - Home (relating to quality of accommodation and repairs and maintenance)
 - Tenancy (relating to tenure, allocations and exchanges), and;
 - Neighbourhood & Community (relating to neighbourhood management, local area cooperation and antisocial behaviour)
- 5.2 SKDC produced local standards, in accordance with the Regulatory Framework, in 2012. A phased review of SKDC's local standards will commence during the latter part of 2014-15, involving the Service Review Groups in refreshing SKDC's service 'offer' to tenants.
- 5.3 Customer feedback is gathered in a number of ways; including the public feedback system of complaints, compliments and comments. All customer feedback received is considered and every effort is made to learn from what we are told and to improve our practices where possible.
- 5.4 A range of survey tools are also used; ranging from customer satisfaction surveys at the point of repairs completion to the biennial Survey of Tenants and Residents (STAR) which, being largely standardised and widely used throughout the housing sector, enables comparison with other providers and over time.

- 5.5 The STAR survey results obtained in 2013 indicated some scope for improvement and informed service improvement plans. Tenants' overall satisfaction with the housing service was found to be 80% for general needs housing and 88% for supported housing which, when benchmarked against other providers placed SKDC in the third and fourth quartiles respectively. A summary of the broader range of findings is provided at Appendix 9.
- 5.6 The Council has membership of the HouseMark benchmarking service, a core feature of which is the range of tools enabling detailed performance and value for money benchmarking. This resource will be a key contributor in driving performance and value improvements. The Council monitors how well it is delivering services by focussing on how effectively it delivers major projects; regularly measuring achievement against a set of key strategic and operational performance indicators and taking on board feedback from customers. The Key Performance Indicators which will be monitored and reported are detailed at Appendix 4.
- 5.7 Following the forthcoming review of the Housing & Neighbourhoods service, a refreshed range of operational performance indicators will enable transparent understanding of performance at service, team and individual level; promoting ownership of performance and sharper focus on activities that make a difference.
- 5.8 The HRA incurs significant expenditure and delivering excellent value for money is an important aspect of this business plan. Major contracts are put in place using, where appropriate, the assistance of Procurement Lincolnshire; a shared service working across the county. The service provides advice and support resulting in the delivery of significant levels of cost savings, particularly for expenditure on repairs and cyclical maintenance. Whilst existing approaches have delivered efficiencies, the potential benefits of alternative contracting and partnering approaches will increasingly assist us in deriving improved value from that expenditure.
- 5.9 Examples of how we will be seeking to improve our services in the short to medium term include:
- Reviewing and redefining the focus for the delivery of housing services and evaluating the benefits of alternative approaches to the management of our services
 - Investment in document management and customer contact systems to improve opportunities for customers to 'self serve' and to improve the productivity of our teams
 - Implementation of a comprehensive housing management system to enable teams across the organisation to deliver good quality services cost effectively
 - Considering the ways in which responsible tenants can be recognised and valued whilst others are encouraged to improve the way in which they meet their tenancy obligations
 - Carry out a pilot environmental scheme to trial the impact and longevity of introducing new boundary fencing solutions and evaluate the affordability of extending schemes across HRA assets

6 Asset Management and Investment in New Affordable Housing

6.1 Effective asset management is fundamental to the successful delivery of an excellent service. SKDC's Asset Management Strategy 2013-18 informs the HRA Business Plan and should be referred to for greater detail than is provided in this document.

6.2 The Asset Management Strategy embraces three key principles:

- Recognising the importance of maintaining effective stock condition and attribute information;
- Assessing the suitability of and future options for poorly performing stock and non-standard properties, and;
- Ensuring effective procurement and delivery of the works programme to ensure the stock is maintained in good condition.

6.3 The Asset Management Strategy is built around two key subject areas: Property and Service Standards and Stock Portfolio Management, under which seven priorities have been developed in response to the range of distinct issues facing SKDC and the needs of residents. A key function of this business plan is to enable delivery of those asset management priorities:

- Achieving the SKDC standard for property condition, exceeding Decent Homes
- Improving energy efficiency and reducing fuel poverty
- Repairing and maintaining to agreed standards
- Meeting the particular needs of older, vulnerable, disabled and minority households
- Being resilient: identifying and dealing with obsolete or uneconomic housing
- Identifying the development potential of land and property to meet identified needs
- Managing investment opportunities and liabilities within the housing portfolio

6.4 The Housing Asset Management Strategy and the underpinning action plan will be reviewed on an annual basis with tenants and leaseholders.

6.5 The supply of housing in the District, both affordable and market housing, has fallen behind household growth for a number of years. As a result, pressure on house prices in the District has increased considerably, as demand for housing continues to outweigh supply and there is a significant shortage of affordable housing available to local people. There is currently an estimated backlog of 547 households in the District in housing need¹. With forecast population growth over the next 20 years, it is estimated that an additional 340 affordable units per annum will be required in the District¹. (¹ Information obtained from the Strategic Housing market Assessment 2014)

Whilst there are some areas in the District where house prices are more accessible, South Kesteven is a largely high value housing area and affordability has long been an acknowledged issue for residents. The sustained recession has had a further negative impact on affordability in terms of reducing household incomes in real terms and an

estimated 33% of households have insufficient income to afford market housing¹. In addition, South Kesteven has a higher proportion of larger sized homes (3 or more bedrooms) than the national average and this contributes to the barriers faced by residents seeking to access housing they can afford.

Growth in the affordable housing sector has also been significantly hampered by reducing levels of grant funding and increasing financial risk, impacting on the capacity of Registered Providers to deliver new affordable homes.

7 Delivery of the Business Plan: financial strategy and planning

Development and discussion of key policies

- 7.1 The Council considered a number of options for securing the funding of the payment to the Department of Communities & Local Government which enabled introduction of the self financing regime. It was decided that the reduced interest rate option offered as a special 'one off' opportunity by the Public Works Loans Board (PWLB) provided the most advantageous option for the Council.
- 7.2 The HRA Business Plan shows a debt repayment profile based on 30 years of equal instalments of principal (EIP) for £96.52m of the debt incurred, maturing in 2042-43, and a £25m maturity loan repayable by a single payment in 2019-20.
- 7.3 This approach has enabled the business plan to accumulate balances over the initial period which will provide the opportunity for the Council to incorporate full repayment of the maturing debt of £25m in 2019-20. This approach will enable the Council to continue to fund its capital investment programme focused on maintaining the SK Standard without the need for further external borrowing. Alternatively, consideration can be given to re-financing the debt at the time the maturity loan is due for repayment; releasing the accumulated balance to fund other strategic objectives outlined in the Business Plan.
- 7.4 It should be noted that an interest rate of 1.99% has been secured for the £25M, based on a suppressed borrowing rate at the time self financing was introduced. Should the Council consider refinancing the loan the interest rate would increase beyond the rate that was secured at the time of the original loan. It is not possible to quantify the rate as it will depend upon the timing of the refinancing decision and the prevailing rates at that time but it is highly expected the rate will exceed 4%. This will inevitably result in additional interest being payable on the loan over the repayment period. However, this refinancing option would release accumulated balances in the short term but would introduce additional costs to the financial model over the longer period although these will be partly offset by the additional rental income.
- 7.5 The HRA working balance is proposed to be set at a minimum level of 10% of gross expenditure (turnover) and therefore the working balance which is increasing due to annual surpluses will be reduced from the current level to £2M over the next three years. Therefore, over the initial period of the Plan the excess balance will be split between the loan repayment reserve, in order to finance the debt repayment in 2019/20, and revenue contributions to fund any stock replacement programme that is agreed. In year surpluses

will be directed to the loan repayment reserve to enable the £25m maturity payment to be made in 2019/20.

- 7.6 The Government increased the cap on Right to Buy discounts to £75,000 on 2 April 2012. This is expected to lead to an increase in the number of Right to Buy sales beyond the number that is assumed in the financial model (currently assumed to be 17 per annum). The original HRA business model, developed prior to the increase in RTB discount levels, predicted annual sales of 11. The Government has indicated its commitment to ensuring that the additional receipts which result from the increase in sales are reinvested to provide replacement homes. The Council has entered into an agreement with Government whereby the Council will retain additional Right to Buy receipts to contribute towards the provision of replacement stock. The capital receipts reserve is projected to rise over the next four years to 2017/18 from £1.952M to £3.8M (based on projected annual sales of 17). This accumulated balance, forecast to be available in the capital receipts reserve, should be utilised to fund up to 30% of the cost of a programme of replacement homes.

7.7 **Financing Options**

Note: it is recommended that, once Cabinet has determined its desired level of investment, the Business Plan be amended to reflect the decision taken.

The Council has a number of options it can consider with respect to utilising HRA resources to continue a housing stock replacement programme. There are sufficient forecast resources to continue a stock replacement programme beyond the current allocation of £3M which will be utilised by March 2015. The Council Asset Management Strategy (AMS) has identified sufficient Council owned land to enable a number of developments to be undertaken that would help respond to the analysis of property need.

Option 1 – Retain the current financial plan; involving the repayment of £25m in 2019/20 and utilising existing and forecast reserve balances to enable an allocation of £8m to be made available to fund a programme between 2015/16 and 2018/19. This allocation will be derived from forecast capital receipts and an allocation of £4m from working balances

Potential outcomes from Option 1 – a mixed traditional build development programme comprising of mixed property archetypes, reflecting the AMS needs analysis and delivering approximately 75 additional homes. (The provision will be based on available Council owned land within the HRA and, as such, might not accurately reflect the spatial analysis of identified housing need).

Option 2 – Re-finance the £25m prior to the 2019/20 maturity date; enabling the £25m loan repayment amount to be redirected to a stock replacement programme in addition to the £8M allocated at option 1 thus creating a potential investment programme of £33M. The AMS has identified potentially 21 sites available to the Council (sites HRA owned) to provide a total of approximately 250 new homes for an indicative value of £25m. In addition the £8M (as identified in option 1) could be used to secure further provision of housing including working with other partners. Should this option be supported then further work will be undertaken to determine the most appropriate delivery models and the indicative timescales.

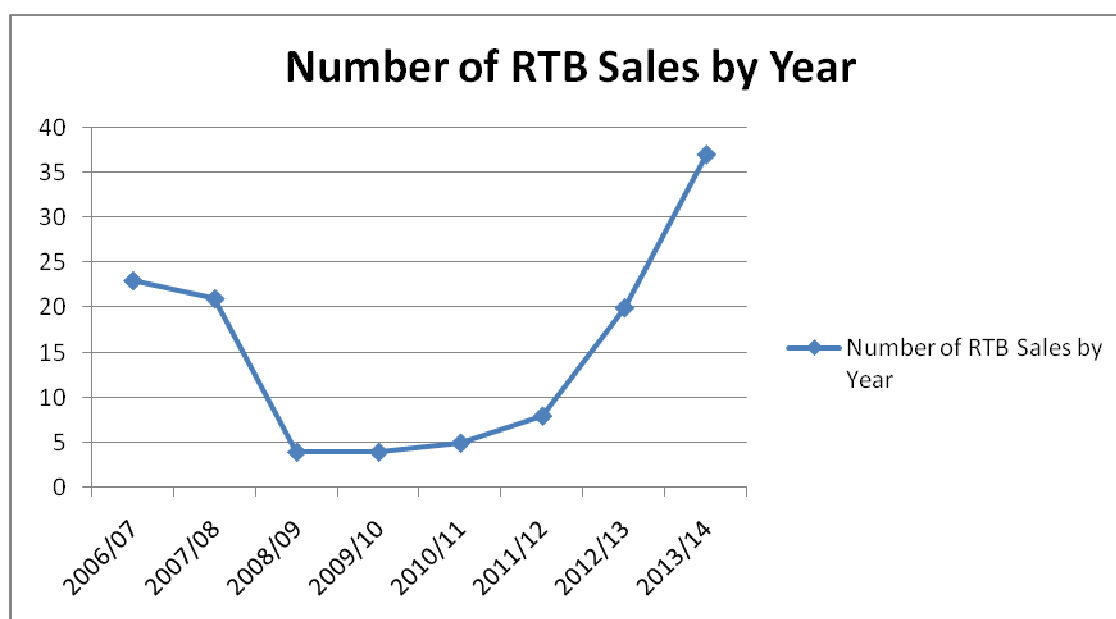
Potential outcomes from Option 2 – a number of mixed developments comprising of a mix of dwelling types and sizes to reflect identified need.

Option 3 - Re-finance the £25M prior to the 2019/20 loan maturity date and incur additional borrowing (up to the permissible headroom) of £35M in addition to the £25M, thus creating £60M of available funding. This could be increased further by allocating the £8M as identified in option 1 thus enabling an overall allocation of £68M. This option would generate significant resources available to enable a number of different delivery models to be introduced that could, for example, include loan arrangements to Registered Providers, formation of a separate trading company and further development of a self build programme. This level of investment would clearly have a significant impact on the financial model both in terms of re-profiling the repayments and the additional income the new housing would introduce (if they became Council housing stock). This will be developed further should this option be taken forward.

Option Summary

Option 1	Option 2	Option 3
Utilise existing balances by reallocating reserves	£25M available by re-financing loan repayment and utilising accumulated surpluses	Up to £60M available for a long term housing programme - due to the scale of this proposal further work will need to be undertaken to determine the longer term implications for the HRA financial model
£8M – circa 75 dwellings delivered over a 3 year period utilising HRA owned land available for development	£33M – development of a investment programme that utilises existing HRA new build opportunities and enables further investment opportunities through partnering with RPs.	Potential allocation of £68M by combining option 1 together with maximising the borrowing headroom and refinancing the £25M maturity loan

7.8 The following graph demonstrates the acceleration of RTB since the introduction of increased discount amounts:



7.9 The Council will continue to set rents in line with DCLG guidance which adopts the formula: Current Rent annually increased by the Retail Price Index (RPI) + 0.5% +£2pw until convergence of all rents with 'target rents' is achieved in 2015-16. New Council tenants already commence the tenancy at the full social housing rent and for these properties the annual rent increase is Consumer Price Index (CPI) + 1%. The Council also has the potential to introduce 'affordable' housing rent levels with respect to new build properties which can be set at up to 80% of rent levels in the private rented sector market. Affordable rent levels require the agreement of the Homes and Communities Agency. For comparative purposes the following table illustrates the differences between social, affordable and market rent levels for the district:

	Average Social Rents			Average Market Rents			'Affordable'* Rents		
	Grantham	Stamford	Bourne	Grantham	Stamford	Bourne	Grantham	Stamford	Bourne
	£	£	£	£	£	£	£	£	£
1 bed	292	306	321	355	455	395	284	364	316
2 bed	338	351	358	454	596	512	363	477	410
3 bed	366	401	387	553	739	617	442	591	494
4 bed	388	429	410	779	1200	831	623	960	665

*Affordable rents are illustrated at 80% of average market rents

7.10 Summary of Key Financial Assumptions

A summary of the key financial assumptions underpinning the HRA Business Plan is provided at Appendix 8.

8. Governance and Risk Management

Governance

8.1 Governance has been defined by the Council as 'providing high quality services by ensuring that the Council listens, learns and delivers so that it can demonstrate the best value for money in achieving the right outcomes for our customers giving special consideration to those who may be vulnerable or hard to reach'.

8.2 The CIPFA / SOLACE publication (2007), 'Delivering Good Governance in Local Government', states that "Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner."

8.3 Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for residents and service users. Consequently, there is an expectation that good governance will enable the

Council to effectively pursue its vision whilst ensuring the actions taken are underpinned with mechanisms for control and management of risk.

- 8.4 Key Decisions are taken by the Portfolio Holder for Good Housing with some decisions reserved for Cabinet and some - for example, budget setting – for full Council. Cabinet is required to approve the HRA Business Plan.
- 8.5 As a local authority landlord, those aspects of the Homes and Communities Agency's Regulatory Framework relating to governance and financial control do not apply; these being limited to other registered housing providers. The 'ring fence' of the HRA does, however remain in place, post self-financing, and SKDC will continue to be prudent in the management of its housing activities.

Risk Management

- 8.6 Operational risks are identified and managed through the service's Work Plan and operational risk register. Operational risks are regularly reviewed, with significant risks being escalated to the corporate Risk Register.
- 8.7 Risks generated by self-financing relate principally to the scope for volatility in expenditure across a number of budget areas including asset management, Right to Buy sales, welfare reforms and their impact on income streams, development risks and debt repayment costs to the extent that they are affected by changing interest rates. Each of these areas of risk is managed and mitigated according to the nature of the risk. For example, capital programme planning and management as a core part of the asset management strategy is subject to detailed budget approval and expenditure monitoring whilst the borrowing associated with self-financing is subject to treasury management policy and independent advice.
- 8.8 Internal Audit provides scrutiny on a regular basis of the corporate risk management process and its effectiveness and the importance of this work has increased following the introduction of self-financing.
- 8.9 The debt incurred by the Council in entering into the self-financing regime amounts to £126.52m. Repayment profiles will be kept under review and appropriate independent treasury management advice forms part of the risk management arrangements.

9 Responsibility for the Business Plan

Responsibility for the delivery of the actions within the business plan stretches across a number of teams working across the Council. Performance and delivery of key projects will be monitored through the Council's performance management arrangements and, in addition, reported through to tenants' representatives, with headline information reported in the newsletter for tenants, Skyline.

10 Review of the Business Plan

The Housing Revenue Account Business Plan will be kept under review on an annual basis to identify emerging risks and developing issues which may impact on the delivery of the planned actions or long term viability of the plan. If required, the plan will be formally reviewed before 2019; to ensure that resources available remain capable of delivering the planned actions and/or that the actions can be amended accordingly.

Strategic Priorities for Council Housing in South Kesteven

1 The strategic priorities for council housing are set within the context of SKDC's corporate vision for 2021: to create vibrant communities where people want to live, work and invest.

2 **'Support good housing for all'**

The corporate priority 'Support good housing for all' is, in turn, underpinned by the Housing Strategy which aims to support the achievement of corporate priorities through focusing on four strategic housing priorities:

1. High quality new affordable homes available to rent or buy
2. Improved housing standards across the district and for all tenures
3. Access to housing and wellbeing services
4. Promotion of sustainable neighbourhoods and communities

Within the context of the Council's role as landlord of a retained stock of council housing, the strategic housing priorities are currently being served in a number of ways:

- ✓ Through the delivery of the first new council housing in the district for ten years, with 33 new homes being delivered across five sites between November 2013 and March 2015. The 2014 HRA Business Plan provides the opportunity to consider the extent to which the number of new homes might be increased.
- ✓ Through the capital improvement programme, informed by the 2013-18 Asset Management Strategy. The achievement of Decent Homes is currently at 97%.
- ✓ An amended approach to the allocation of Council housing, adopted in 2013, supports and facilitates access to housing. Particular needs are met by the disabled adaptations programme managed by the Improvements team. Since April 2014, the housing service has acted as a referral agent for the County Council's 'Wellbeing' service, liaising closely with the County Council's appointed Wellbeing service providers; the Lincolnshire Independent Living Partnership (LILP) and Mears 24/7 Limited.
- ✓ The promotion of sustainable neighbourhoods and communities is being served both by the capital programme and by housing management, with efforts to ensure the conditions on the Council's housing estates are, physically, environmentally and socially, as attractive as possible; making the Council's housing and estates places people want to live in, enjoy, can afford and protect.

3 **The Asset Management Strategy 2013-18**

The Asset Management Strategy identifies seven priorities consistent with the achievement of the corporate priorities for housing; concerned with standards of development, repair, maintenance and replacement, meeting need and managing opportunities and liabilities. A

central consideration in the HRA Business Plan is ensuring sufficient resourcing to the priorities of the Asset Management Strategy.

4 Delivering the Housing Strategy within the HRA

Delivering on these priorities will mean maintaining and improving existing council housing; disposing of or demolishing housing which can no longer viably meet these strategic priorities and building new council homes which reflect the needs and aspirations of the Council and its citizens.

Delivering new council housing will also depend upon the availability of sufficient and appropriate land and the extent to which additional land may be acquired. The Asset Management Strategy identifies the potential to develop 211 new homes across 24 sites in HRA ownership, each with capacity in the range of 1-40 new homes. Details of these sites can be found in Appendix 4 of the Asset Management Strategy: three sites each have the potential for 40 homes (one in Billingborough and two in Grantham) whilst there are three each with the potential for 10 homes (two in Grantham and one in Market Deeping). The remaining 61 potential homes relate to 18 sites. Whilst each site would be subject to a detailed appraisal before committing to development, smaller sites tend to have higher unit costs, even when packaged together, when compared with larger developments.

Maintaining, improving, demolishing and disposing of existing council homes will be informed both by the Housing Asset Management Strategy and by an understanding of the district's housing needs and how they will change over time. These factors, in turn, will influence the scale, type and location of new council housing.

Appendix 2

Impact of the Business Plan on non-housing assets and stakeholders

In addition to housing, SKDC has non-housing assets which must be addressed through the HRA Business Plan, supported by the Asset Management Strategy.

1 **Garages**

SKDC owns 913 garages within the HRA, of varying popularity and with ongoing maintenance requirements. A new 'Garage Plan' will be developed to retain and invest in garages which are economically viable and to find alternative uses, including potential housing development, for sites which are beyond economic repair and/or for which there is insufficient demand.

2 **Other Land Assets**

In addition to housing and garages, the HRA carries responsibility for footpaths, access roads and green areas. It is also recognised that there are areas with larger gardens, some of which might have development potential, particularly where such large gardens are seen by residents as a liability rather than an asset.

3 **Land Acquisition**

The land currently in the ownership of the HRA is unlikely to be able to deliver the Council's need for additional housing; however radical plans might provide for improved utilisation of existing land holdings.

It is the intention of SKDC to develop a strategy that would apply to housing land acquisition and to the disposal of existing HRA assets to enable reinvestment in housing land.

The draft strategy for acquisition of land and disposal of HRA assets should support and enhance Council priorities and ensure that at all times the asset serves a relevant purpose: in that it is retained to provide a benefit or is disposed of so as to enable value to be recycled.

4

The purpose of the draft strategy would be to make the Council's strategy, policies, guidance and procedures in relation to land acquisition and the disposal of HRA assets transparent and public. The strategy should promote expediency in the way that disposals and acquisitions are dealt with by the Council; being for use by Council officers and to inform developers and members of the public.

The guiding principles are that:

- Assets should be constantly reviewed and their value challenged in order to ensure a consistent and viable approach to each asset and to accord with the Government's Transparency Agenda.

- Assets should not be retained where the asset does not play an integral part in the delivery of a Council Priority or priorities and where there is no significant value (monetary or social) on a revenue or capital basis.
- Assets should only be acquired where they have met suitable value tests and are appropriate in scale to support relevant priorities.
- The Council should not be seen to act as a lifeline for failing schemes that have received historic support unless these deliver against the above criteria.
- Acquisition and/or retention of an asset to enable the Council to act as a catalyst to promote future activity should be considered a viable activity.

These principles will be at the forefront of considerations as SKDC seeks to secure a sufficient supply of suitable land to enable delivery of HRA Business Plan targets for new homes. The need for land acquisition will be a dynamic variable in the business plan, recognising that land costs will be an important component of overall development costs which, in turn, will determine the financial capacity to provide new homes.

5 **Investment Impact**

It is anticipated that the Housing Revenue Account Business Plan will have a range of positive impacts:

For customers

- Homes which meet the 'SK Standard' and which are well managed and maintained
- Homes which are warmer, more energy efficient and which cost less to run
- Homes which are in high quality and sustainable environments
- Homes which are part of a balanced, sustainable portfolio

For SKDC & Stakeholders

- Investment which supports and facilitates wider regeneration and growth objectives
- Improvements to tenant satisfaction with the homes provided
- Delivery of value improvements and maximising return on investment
- Effective and efficient management of capital and revenue resources

Action Plan (for the delivery of the Business Plan)

Action	Intended Outcomes	By when/frequency	Responsible Officer
Financial			
Undertake extensive review of Financial Business Plan upon outcome of decision on further housing investment	Updated Business Plan that show the financial position of the HRA over the 30 year period	December 2014	Head of Finance
Investigate preferred borrowing model for refinancing of existing loans if required utilising external treasury advisors	Financing options for borrowing opportunities for either refinancing existing borrowing or maximizing borrowing headroom	December 2014	Strategic Director – Corporate Focus
Asset Management			
Deliver the annual capital investment programme	Property maintained and improved in a timely and cost effective manner	Q4 / annually	Head of Community Assets
Deliver an improved repairs and maintenance service	Homes well maintained Tenants satisfied Demonstrable benchmarked value for money	Q4 / annually	Head of Community Assets
Development			
Deliver the existing new homes programme	33 new homes in 2013-15 programme	Q4 2014/15	Head of Community Assets
Develop the future new homes programme in accordance with the Business Plan targets	To be determined following Business Plan approval	Q4 2014/15 / annually updated	Strategic Director – Community Focus
Investigate procurement options for delivery of new homes	To be determined following Business Plan approval	September 2014	Strategic Director – Community Focus
Work with Registered Housing Provider partners and others to identify and bring forward new development	Established effective working arrangements with partners to support delivery of Business Plan priorities	October 2014	Head of Development & Growth

opportunities			
Operational			
Deliver effective homelessness, housing advice and lettings services	Prevent homelessness Reduce use of bed & breakfast accommodation Meet housing needs	Quarterly monitoring	Head of Housing & Neighbourhoods
Implement revised re-chargeable repairs policy	Improve recovery of costs of repairs which are tenants' responsibility	Q2 2014/15 approval Quarterly monitoring	Head of Community Assets
Value for Money			
Revise 'local standards' in accordance with the HCA's Regulatory Framework and involving tenants' Service Review Groups	Revised and refreshed 'service offers' to tenants Closer alignment with tenants' needs and aspirations Improved customer satisfaction	Q3 2014/15	Head of Housing & Neighbourhoods
Carry out the bi-ennial 'STAR' survey of tenants	Refreshed benchmark data on tenant satisfaction to inform service improvement planning	Q4 2014/15 bi-ennially	Head of Housing & Neighbourhoods
Continued participation in HouseMark performance benchmarking	Clear assessment of performance and value against other housing providers and over time	Annual returns and reporting	Head of Housing & Neighbourhoods

Key Performance Indicators

Indicator	Descriptor	Target	Frequency / By When
Financial			
Actual rent collected against cumulative rent debit	Percentage of actual rent collected against annual target rent (including current tenant rent arrears)	98.7%	Monitored monthly
Total number of tenants with 7 weeks of arrears	Total number of tenants with 7 weeks of arrears	<200	Monitored monthly
Asset Management			
Decent Homes	The proportion of council homes meeting the Decent Homes Standard	100%	Quarterly
	Percentage of SKDC housing stock above energy efficiency rating E/F	80%	Q4 2014/15
	Average total number of days each property is void/empty	27 days	Q4 2014/15 Monitored monthly
Development			
Delivery of new homes in accordance with agreed programme	Actual versus planned programme delivery		Monitored monthly
Number of affordable homes delivered (gross)	This indicator can be reported in different ways: i.e. by provider, tenure, unit type/size, etc.	Quarterly monitoring	Head of Development & Growth
Operational			
Void Property Level	The proportion of empty council homes	<1% (<62 at July 2014)	Monitored monthly
Customers satisfied with reactive repairs service	The proportion satisfied, identified by surveys at job completion	98%	Monitored monthly
Gas Safety	The proportion of	100%	Monitored monthly

	properties with a current gas safety certificate		
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Appendix 5

Demographic Considerations

1 Population trends

The statistics in the table below are for all tenures in the district and provide a guide as to how the demographic composition of those occupying council housing might change. Whilst the population of the district is predicted to increase by 9.9% and the number of households by 8.4% (2012-2021), the proportion of households comprising a single person aged over 65 is predicted to increase by 27.8%, resulting in such households representing almost 18.4% of all households by 2021. However, 36.8% of current SKDC tenants are already over the age of 65; twice the level predicted for 2021 for the district's population as a whole. It is this, perhaps more than any other factor, which will present challenges for housing investment. The ageing population will affect the type of housing that is required in the years ahead, the type of communities in which the housing is located and the housing management services which are required if the people of South Kesteven are to live successful, independent lives for as long as possible.

2 Although the predicted changes to the level of households including someone with a disability are much less pronounced than changes to the age profile, how disabled people are accommodated can fundamentally affect their quality of life: meeting the needs of disabled people will also be an investment consideration within the HRA Business Plan: 40.6% of SKDC's tenants consider themselves to have a disability or long-term limiting illness..

3 Whilst all households will benefit from aspects such as improvements to affordable warmth and the maintenance of affordable rent levels, older households and/or those households including persons with a disability will be disproportionately affected by factors such as accessibility within the home and the wider community; design standards such as those provided in Lifetime Homes; the scope for adaptations and the ease with which they can be made and the availability and integration of a broader range of housing-related support services, many of which, such as assistive technology, might be provided and funded by other agencies or by residents themselves.

4 These factors combine to make the case for good design and space standards supported by high quality management and maintenance. Achieving these outcomes for the benefit of residents will be a key driver in the ongoing process of reviewing and revising SKDC's plans for investment in council housing.

Predicted Demographic Change: an Ageing Population

All the information below is taken from the [Lincolnshire Research Observatory](#) which is a partnership of organisations within Lincolnshire. It uses data from a variety of sources including national and local agencies.

	SKDC		Lincolnshire		England	
	Current	2021 projections	Current	2021 projections	Current	2021 projections
Population	135,000 (2012)	148,400 +9.9%	718,800 (2012)	796,500 +10.8%	53,493,700 (2012)	57,687,800 +7.8%
% of 0-19 year olds	23%	23%	22%	22%	24%	24%
% of 20-64 year olds	58%	54%	57%	54%	60%	58%
% of 65+	19%	23%	21%	24%	16%	19%
Number of households	59,000 (2013)	64,000 +8.4%	315,000	344,000 +9.2%		
Households of single persons aged 65 and over	18,000	23,000 +27.8%	98,000	121,000 +23.5%		
Living with long term illness aged 65 and over	12,168 (2014)	14,380 (2020)	72,815	83,507		
COPD %	2.67% (2011)	3.10%	3.32%	3.50%		
CHD %	5.57% (2011)	6.40%	6.80%	7.10%		
Number of adults (18 to 64) with serious physical disabilities	2043 (2014)	2149	10,692	11,370		
Number of adults (10 to 64) with moderate physical disabilities	6699	6968	35,300	37,084		

Housing Supply & Demand

Supply:

- 1 **Residential dwellings** in South Kesteven (Valuation Office Agency, Sept 2012): 60,360

Social housing: approximately 8,200 (approx 2,000 RSL / 6,166 SKDC, January 2014)

RTB sales: the stock is currently reducing by c35 per annum through RTB sales; a number which might increase following changes to the RTB scheme.

New Council Housing: the new build programme, currently 33 over two years, is not keeping pace with RTB sales.

Assessed need: the draft Peterborough Sub-Regional Housing Market Assessment (SHMA) (March 2014) identifies a need for an additional 300 affordable homes per annum (2013-36), over and above the known development pipeline. When re-modelled against predicted changes in household demographics, this assessed need rises to 343 additional affordable homes per annum.

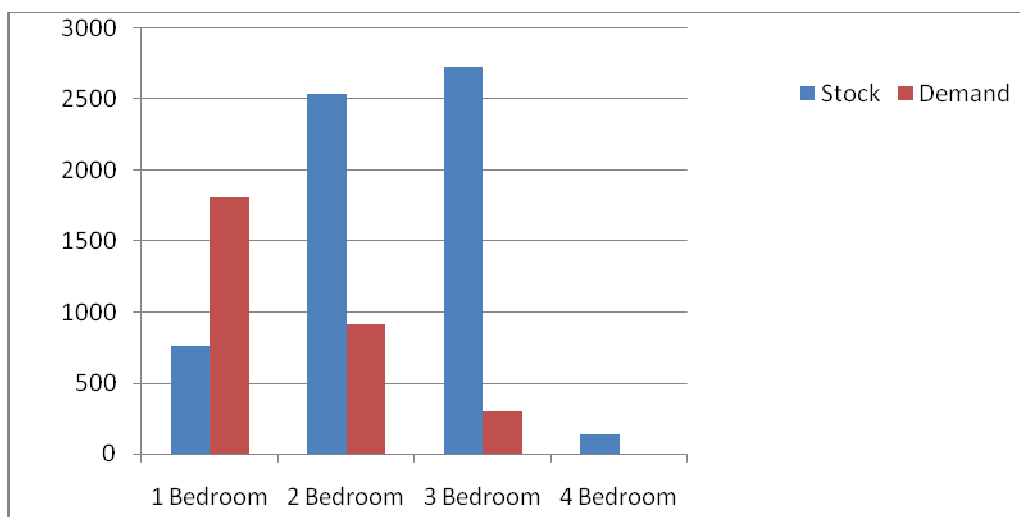
- 2 The draft SHMA estimates that 24.2% of the additional need will be for 1 bedroom homes; 45% for two bedrooms; 28.5% for 3 bedrooms and 2.3% for four or more bedrooms. The SHMA also estimates that 67.3% of those who cannot afford Market Housing prices can only afford homes at Social Rent levels or below with a further 12.7% being able to afford between Social and 80% of Market Rents (often referred to as 'Affordable' rents, as distinct from Social Rents).

- 3 The indicative need for sub-market specialist housing for older persons is 18 per annum.

- 4 **HRA stock v housing demand**

There is a high level of demand for one bedroom homes which does not reflect the composition of SKDC's housing stock, which comprises mainly of three and two bedroom homes.

The reasons for the high level of demand for 1 bedroom properties include: ageing; divorce and relationship breakdown; affordability (particularly in face of welfare reforms), and; young people seeking independent living.



Stock by bedroom size:

1 bed: 761; 2 bed: 2,543; 3 bed: 2,728; 4 bed: 134

Anticipated new supply from RSLs	Completed	Remaining	Total
Sites under construction (remaining units to be delivered in 2014/15)	48	155	203
Granted permission (detailed or Outline)	n/a	n/a	295
Planning Application submitted	n/a	n/a	107
Scheme being worked up	n/a	n/a	118

In addition to the 'pipeline' programme identified above, it is known that locally active Registered Providers (RSLs) have made firm bids to the Homes & Communities Agency's Affordable Housing Programme 2015-18 for 37 homes (Grantham); 29 homes (Bourne) and 12 homes (Tallington). Decisions on these bids are expected in the late summer of 2014.

Demand:

5 Current Housing Register applicants and bedroom requirements:

There are 3,132 applicants on the Housing Register, 922 of which are assessed as having a priority housing need. (The policy places those with priority need in Bands 'Emergency', 1, 2 or 3 and non-priority applicants in Band 4).

58% of those registered seek/require 1 bedroom accommodation (64% of those in Band E-3)
 29% of those registered seek/require 2 bedroom accommodation (26% of those in Band E-3)
 3.5% of those registered seek/require 4 bedrooms or more (4.5% of those in Band E-3)
 Housing turnover in 2012/13 was 485 properties (7.8%)

National and Local Drivers

- 1 A number of key national and local drivers have informed the development of, and have an impact on, the Housing Revenue Account Business Plan.

The National Drivers

- 2 **Housing Revenue Account Reform**

On 1 April 2012, the Government abolished the HRA subsidy system and introduced self-financing for Council Housing. This represents one of the most radical reforms of public housing policy for many years and the effects are far reaching.

To become 'self financing', SKDC was required to take on debt of £121.652m. The net effect, however, taking account of debt repayments, is the potential for additional investment in housing and with the potential, over time, to take on further borrowing up to limits set by government.

Greater detail on the implications of self-financing for the HRA Business Plan is set out in the 'Financial Strategy and Planning' section of this Plan.

- 3 **Localism & Social Housing Reform**

Under the Localism Act, sweeping changes have been made to the way in which 'social' or 'affordable' housing are provided; introducing greater freedoms and flexibilities to landlords and giving a greater say to tenants. Key elements include the introduction of the 'affordable rent' model; strengthening landlord accountability to tenants; the option of flexible tenancies and tightening up the requirement for landlords to maintain their stock in decent condition.

- 4 **Welfare Reform**

The withdrawal of the 'spare room subsidy' in April 2013, under which tenants in receipt of Housing Benefit considered to be under-occupying their home have their benefit entitlement reduced has led to a combination of increased demand for transfers to smaller housing and, where such housing is not available, increased hardship for affected tenants and greater challenges for landlords in the collection of income. It is anticipated that the planned implementation of Universal Credit, beyond the current pilot areas, will compound these challenges and result in greater demand on SKDC's housing as households find it relatively more difficult to afford housing in the private sector.

- 5 **The Homes & Communities Agency**

The HCA has objectives and powers to deliver affordable homes across all tenures; driving investment in regeneration. The HCA-administered 'Affordable Housing Programme'

6 Local Drivers

Local drivers are set out in greater detail in the Asset Management Strategy but include:

SKDC's Corporate Plan:

This sets out the corporate priorities, also referred to at 2.2 (above).

SKDC's Housing Strategy:

The four strategic housing priorities of the Council are set out at 2.3 (above) and in more detail at 4 (below).

South Kesteven's District Profile:

South Kesteven is located in the south west corner of Lincolnshire and covers 365 square miles. There are four main towns; Grantham, Stamford, Bourne and The Deepings together with more than 80 villages. The population is growing rapidly and the district offers a desirable location and attractive prices for commuters to Peterborough and London. The District Council and Police administrative headquarters are based in Grantham and there is also substantial new housing development underway in Grantham and Bourne.

South Kesteven's demography is changing rapidly; with a significantly ageing population, particularly in council housing, and increasingly diverse ethnicity among residents, including migrant workers.

Although the health of people living in South Kesteven is generally better than the England average and deprivation is lower than average, about 3,500 children live in poverty. Although life expectancy for both men and women is higher than the England average, it is 8.6 years lower for men and 5.0 years lower for women when comparing the most deprived areas of South Kesteven with the least deprived areas. Early death rates from heart disease and stroke have fallen and are lower than the England average.

Summary of Key Financial Assumptions

Income

1 **Rental Income.**

Average rents for the first three years are taken from the rent-setting spreadsheet.

In 2014/15 the increase is based on RPI + 0.50% + £2 uplift with progress towards formula rents where convergence was assumed to occur in 2015/16.

Thereafter, it is assumed that national rent policy is followed which is CPI + 1.0%. CPI is assumed to be 2.3%.

The number of right to buy's in 2013/14 was forecast to be 34 (the actual number of sales was 37) and thereafter an assumed level of 17 per annum is contained in the financial model.

New builds of 33 are assumed to be completed in 2014/15 for letting in 2015/16

An additional 1 week of rental income is added to account for 53 rent weeks in 13/14, 19/20, 24/25, 30/31, 35/36 & 41/42. The void rate is estimated at 1.5%

2 **Other Income.**

This consists of charges for services and facilities, other rents and wayleaves.

First three years is as per the budget and then increased by 3.5% per annum.

3 **Interest Received.**

First three years in accordance with budget. Thereafter, calculated on estimated balances at rates between 2.05% and 2.5%.

Expenditure

4 **Supervision & Management**

First three years in accordance with budget, then increased by 3.5% p.a.

5 **Revenue Repairs**

First three years in accordance with budget, and then increased by 3.5% p.a. Model adjusts for declining stock using same RTB estimates as in Rent Income calculation.

6 **Depreciation**

First three years in accordance with budget, thereafter increased by 3.5% p.a. and reduced for declining stock.

7 **Other Revenue**

This consists of provision for bad debts, debt management expenses and the corporate & democratic core recharge. First three years are in accordance with the budget, then increased at 3.5% p.a. The bad debt provision in 2015/16 has been increased to 2% of rental income to cover the potential additional loss of rental income due to welfare reform

- 8 **Debt Repayment**
£3.222M p.a. on the large EIP loan with provision in 2019/20 increased to cover the repayment of the £25M maturity loan from the HRA balance
- 9 **Interest Payable**
Calculated by the model in accordance with the terms of actual loans taken out.
- 10 **Major Repairs Reserve - Improvements**
As per the Capital Programme for first four years. Thereafter the Apex figures are used, adjusted for inflation (3.5%) and declining stock numbers.

Summary of 2013 STAR survey findings

1. STAR surveys (Surveys of Tenants And Residents) were a sector response, developed by HouseMark, to the withdrawal of the Homes and Communities Agency's requirement for a 'STATUS' survey to be carried out. This coincided with the HCA's move towards co-regulation, under which there is an expectation that, in return for a lower level of inspection and routine intervention, social housing providers would do more to engage with tenants and to be accountable for their performance.
2. The first STAR survey was carried out in early 2013, between January and March, and the final results were received in June 2013 since when they have been shared with officers and an action plan has been prepared which is appended to this report for information.
3. The surveys were based around a standardised format, enabling comparisons between organisations and within organisations over time: as such, the intention is to repeat the survey in early 2015 with a view to improving customer satisfaction in the meantime.
4. There were two surveys carried out simultaneously: of tenants of 'general needs' housing and of tenants of older persons housing. Many of the questions are common to both surveys but the older persons' survey gathered data about services specifically targeted at older people in sheltered housing and groups of older persons' housing. Comparative data from the last STATUS survey, carried out in 2008, is provided but is not directly comparable as the 2008 STATUS survey reported on the stock as a whole rather than separating general needs and supported housing. It is possible, however, to get a feel for movements in satisfaction since 2008 from the summary tables which provide data from both STAR survey and the STATUS survey.
5. The results, described in more detail below, present a range of levels of satisfaction in relation to different aspects of service but it is fair to say that the results are not strong; not comparing favourably with performance elsewhere in the sector and being weaker in some respects (but not in overall satisfaction) than the 2008 results. This provides valuable evidence in support of the need for improvement across the range of housing services, both within and beyond the remit of Housing & Neighbourhoods, and will be used both in driving service improvement and in informing the review of the organisational structure of Housing & Neighbourhoods. More detail about the responses is provided below.
6. Benchmarking data in this appendix refers to: SK (South Kesteven), UQ (Upper Quartile), M (Median)

and LQ (Lower Quartile). The sample refers to the number of providers in the sample used to generate the benchmarking data. All benchmarking data compares SKDC's STAR results from early 2013 against HouseMark data for 2011/12 (the latest published at the time).

Overall satisfaction with the service provided	% satisfied	% dissatisfied
2013 General Needs	80	9
2013 Supported Housing	88	5
2008 – combined response (for n'hood <i>and</i> home)	82.7	9.6

	SK	UQ	M	LQ	Sample Size
General Needs: Overall satisfaction with service provided (%)	80	88	85	80	154
Supported Housing: Overall satisfaction with service provided (%)	88	95	92	89	93

Satisfaction with the neighbourhood as a place to live	% satisfied	% dissatisfied
2013 General Needs	87	6
2013 Supported Housing	90	5
2008 – combined response (for n'hood <i>and</i> home)	82	4.3 (very)*

*The 2008 report provides information about those who were 'very dissatisfied' whilst the 2013 reports refer to both those who were dissatisfied and those who were very dissatisfied.

	SK	UQ	M	LQ	Sample Size
General Needs: Satisfaction with n'hood as a place to live (%)	87	86	83	79	152

Supported Housing: Satisfaction with n'hood as a place to live (%)	90	94	93	91	92
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Satisfaction with overall quality of home	% satisfied	% dissatisfied
2013 General Needs	78	15
2013 Supported Housing	89	7
2008 – combined response	82.5	12.2

	SK	UQ	M	LQ	Sample Size
General Needs: Satisfaction with overall quality of home (%)	78	86	83	79	150
Supported Housing: Satisfaction with overall quality of home (%)	89	94	88	84	20

Satisfaction with repairs and maintenance	% satisfied	% dissatisfied
2013 General Needs	74	19
2013 Supported Housing	87	7
2008 – combined response	77	14.2

	SK	UQ	M	LQ	Sample Size

General Needs: Satisfaction with repairs service (%)	74	84	79	72	141
Supported Housing: Satisfaction with repairs service (%)	87	93	88	84	82

Rent provides value for money	% satisfied	% dissatisfied
2013 General Needs	76	10
2013 Supported Housing	89	4
2008 – combined response	79.6	9.9

	SK	UQ	M	LQ	Sample Size
General Needs: Satisfaction that rent represents value for money (%)	74	84	79	72	141
Supported Housing: Satisfaction that rent represents value for money (%)	89	93	90	86	86

Contact: ease of getting hold of the right person	% easy	% difficult
2013 General Needs	62	24
2013 Supported Housing	74	22
2008 – combined response	68.4	21.2

Contact: helpfulness of staff	% helpful	% unhelpful
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2013 General Needs	76	11
2013 Supported Housing	87	6
2008 – combined response	83.1	7.7



South Kesteven District Council

Equality Analysis (Stage 1)

Housing Revenue Account Business Plan

Service Area:	Lead officer: Ian Richardson	Date of Meeting 15/07/14
	Assessors: Ian Richardson Richard Wyles	
	Neutral Assessor: Jo Toomey	

Religion or Belief	Potentially positive	The design of new homes will take account of relevant religious requirements where appropriate.
Sex	No effect	The intended outcomes of the HRA Business Plan have no impact on this protected characteristic.
Sexual Orientation	No effect	The intended outcomes of the HRA Business Plan have no impact on this protected characteristic.
Pregnancy and Maternity	No effect	The intended outcomes of the HRA Business Plan have no impact on this protected characteristic.
Marriage and Civil Partnership	No effect	The intended outcomes of the HRA Business Plan have no impact on this protected characteristic.
Carers	Small positive impact	Adaptations and new build homes will seek to support independent living and facilitate caring.
Other Groups (e.g. those from deprived (IMD*) communities; those from rural communities, those with an offending past) *(IMD = Indices of multiple deprivation)	Positive impact	Improving energy efficiency of homes will help to reduce fuel poverty. Housing management will address anti-social behaviour, helping to protect more vulnerable members of society. Those persons least able to secure their own accommodation may be granted additional priority for housing and to benefit from the range and extent of housing services provided. The mix and type of housing provided will be guided by identified need, including the need for appropriately sized accommodation to avoid the potentially adverse impact of the withdrawal of the spare room subsidy.

Activities delivered within the framework of the HRA Business Plan will be carried out in accordance with appropriate policies or strategies each of which will have been subject, where appropriate, to its own EIA.

The Council's duties to the homeless and in housing applicants will not be adversely affected by the Business Plan which, on the contrary, will improve housing circumstances through the procurement of new homes and the improvement, adaptation and, where appropriate, conversion of existing homes.

The Business Plan recognises the changing demographics of South Kesteven; not least in terms of the ageing population and the increasing proportion of households homes with fewer bedrooms.

3. What equality data/information did you use to inform the outcomes of the proposed policy/service/function/strategy? (Note any relevant consultation who took part and key findings)

Tenant profile information
 Allocations policy and housing register information
 Demographic information provided by the Lincolnshire Observatory
 Consultation with tenants' Service Review Groups.

If there are any gaps in the consultation/monitoring data, how will this be addressed?

4. Outcomes of analysis and recommendations (please note you will be required to provide evidence to support the recommendations made): Please check one of the options.

a)	No major change needed: equality analysis has not identified any potential for discrimination or for negative impact and all opportunities to promote equality have been taken	<input checked="" type="checkbox"/>
<i>If you have checked option a) you will need to complete a Stage 3 analysis when your policy/service/function/strategy has been implemented</i>		
b)	Adjust the proposal to remove barriers identified by equality analysis or to better promote equality.	<input type="checkbox"/>
<i>If you have checked option b) you will need to answer questions b.1 and b.2</i>		
c)	Adverse impact but continue	<input type="checkbox"/>
<i>If you have checked option b) you will need to answer questions c.1</i>		
d)	Stop and remove the policy/function/service/strategy as equality analysis has shown actual or potential unlawful	<input type="checkbox"/>

- b.1** In brief, what changes are you planning to make to your proposed policy/service/function/strategy to minimise or eliminate the negative equality impacts?
- b.2** Please provide details of whom you will consult on the proposed changes and if you do not plan to consult, please provide the rationale behind that decision.

If you have checked option b) you will need to complete a Stage 2 equality analysis

- c** Please provide an explanation in the box below that clearly sets out your justification for continuing with the proposed policy/function/service/strategy.

If you have checked option c) you will need to complete a Stage 2 equality analysis. You should consider in stage 2 whether there are sufficient plans to reduce the negative impact and/or plans to monitor the actual impact.

Signed (Lead Officer):
(Name and title)

Ian Richardson
Head of Housing & Neighbourhoods

Date completed:

15/07/14

Signed (Neutral Assessor):
(Name and title)

Jo Toomey
Principal Democracy Officer

Date signed off:

15/07/14

