

South Kesteven District Council
Housing Revenue Account
Business Plan
2014 – 2019

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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. This Business Plan demonstrates how investment in housing assets will be utilised to deliver SKDC's overall Corporate Plan and strategic housing priorities and the significant contribution that this investment will make to support the delivery of wider economic and environmental priorities.

The HRA subsidy system was replaced by a new regime of self-financing in April 2012, enabled by the Localism Act 2011. 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, creating new opportunities that will contribute to the economic vitality of the district and improve the health and wellbeing of our communities.

The borrowing headroom in the Business plan means that up to £60 million can be made available to fund the delivery of new and refurbished affordable housing over the medium term, designed to meet lifetime challenges, helping tenants reduce their cost of living, and reducing the environmental impact of house building. To help achieve this we will be evaluating off-site manufacture and emerging technologies to dramatically improve energy efficiency and reduce build costs.

Alongside our investment in new housing, a range of actions are planned to deliver the value for money service improvements with the key priorities for investment being:

- sustaining and improving the existing council housing stock to meet our local South Kesteven Standard;
- development of online services accessible at times convenient to tenants;
- improving the productivity of staff through the use of mobile technology;
- Continuing to listen to and learn from customer feedback, and;
- Evaluating the opportunities that partnerships could bring to improve services and reduce operating costs

The profile of surpluses available for investment could be varied by utilising a range of different financial arrangements. A number of financial assumptions, including interest rates, rent setting, void rates, bad debt levels and repair costs, have been used in the Business Plan financial model: these and other 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 document complements the Council's key plans and strategies; particularly the Council's Corporate Plan 2011-2015, Housing Strategy 2013-2018, HRA Asset Management Strategy 2013-2018, Customer Access Strategy 2013-2016 and Economic Development Strategy 2012-2016.

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 £121.65m, 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 The key priorities for investment over the next five years can be summarised as:

- investment in sustaining and improving the existing council housing stock;

- developing new housing - flexible by design to better meet lifetime challenges , and;
- delivering value for money across all aspects of housing services

3.4 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

| Activity | Contribution of the housing service | Outcome / Customer benefit |
|--------------------------------------|--|---|
| 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> | <p>Shared intelligence and opportunities for shared practice/collaboration, etc.</p> <p>Development of best practice, improved VfM and effective delivery of new housing</p> <p>Development of best practice and strategic responses to homelessness</p> <p>Improved protection of vulnerable adults and children</p> <p>Better integration of serving and former armed forces personnel and their families into local communities and services</p> |
| Customer access | <p>Duty officers at Grantham and Bourne Community Access points and via appointment at Stamford.</p> <p>Dedicated housing management arrangements for sheltered housing - including the provision of 'surgeries' at each of the sheltered housing complexes.</p> | <p>Easy access to housing services via telephone and face to face services</p> <p>Easy access to services for tenants of sheltered housing</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.</p> <p>Membership of HouseMark, the</p> | <p>Sustained and improved standards of housing and service delivery, improved customer satisfaction and generating greater benefits from investments</p> |

| | | |
|-----------------------------|--|--|
| | sector's leading performance benchmarking service, also provides the means for comparing performance both over time and against other housing providers. | |
| 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. Sheltered housing also presents opportunities for activities and socialising which can promote both physical and mental wellbeing.</p> <p>Investment in adaptations</p> <p>Availability of good quality, affordable, housing - contributing to the overall wellbeing of occupants and the quality of local neighbourhoods.</p> | <p>Access to practical assistance in times of need and the reassurance of residents and their families</p> <p>The promotion of continuing independent living through adaptations and access to appropriate support services.</p> <p>The promotion of physical and mental health and wellbeing through the use of communal facilities in sheltered housing</p> <p>The provision of affordable warmth and maintenance of attractive neighbourhoods</p> |
| Economic Development | <p>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.</p> <p>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.</p> | <p>The availability of good quality, affordable housing with priority for those in greatest need</p> <p>Positive impact on the local economy from spending on housing services and from the employment of local people who also spend in the local economy</p> |
| Community Safety | <p>SKDC works collaboratively with the Police and others in an effort to ensure that our neighbourhoods are safe. Arrangements include the secondment of a housing officer into the corporate Community Safety team</p> | <p>Improved personal and community safety and the development of cohesive neighbourhoods</p> |

| | | |
|-------------------|---|---|
| | 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. | Reduced cost of living for tenants Cost effective investment in our assets. Reduced utility costs Reduced environmental impact |

3.5 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.

3.6 In preparing this Business Plan, consultation took place with the Council's Resources Policy Development Group (PDG) and with the tenants' Service Review Groups (SRGs). Both PDG and SRGs were supportive of investment in new homes, in the exploration of both non-traditional construction types and in energy-reducing technologies and both were supportive of a pilot programme of environmental improvements being an opportunity for evaluation prior to further investment in such measures. Both readily appreciated the role investment in housing has to play in supporting the Council's economic growth priority and tenants' representatives were supportive of large scale investment in new affordable housing

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.

4.3 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.

- 4.4 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.
- 4.5 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 changing way that people communicate with organisations whilst still recognising the value of face to face contact where this is appropriate.

5. Service Standards and Value for Money

- 5.1 SKDC produced local standards for the delivery of housing services, in accordance with the Regulatory Framework, in 2012.
- 5.2 Customer feedback is gathered in a number of ways; including the 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.
- 5.3 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 between providers and over time.
- 5.4 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. This, when benchmarked against other providers, placed SKDC in the third and fourth quartiles respectively; illustrating the scope for improvement. A summary of the broader range of findings is provided at Appendix 8.
- 5.5 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. Membership of the HouseMark benchmarking service, a core feature of which is the range of tools enabling detailed performance and value for money benchmarking is an important contributor in driving performance and value for money improvements. The Key Performance Indicators which will be monitored and reported are detailed at Appendix 4.
- 5.6 A refreshed range of operational performance indicators set out in Appendix 4 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.
- 5.7 The HRA incurs significant expenditure and delivering excellent value for money is an important aspect of this business plan. Major contracts are in place and delivering 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.

5.8 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)
- 6.6 Whilst there are some areas where house prices are more accessible, 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.
- 6.7 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 over the longer term.
- 6.8 Investment in the development of new build housing creates a range of economic benefits including local employment opportunities, training and skills development, stimulation of the local supply chain and the provision of opportunities to enhance the appeal of the district as a place to live. The Council established an initial home building and acquisition programme in 2013 which will deliver 34 additional homes by March 2015. However this level of provision is insufficient to replace losses over the same period through the national Right to Buy scheme.
- 6.9 The Council has borrowing headroom which, following repayment of the £25m loan in 2019/20, could enable investment of up to £60m in new build/refurbishment in addition to the existing financial commitments outlined in the HRA Asset Management Strategy. It is intended to optimise the use of reserves and borrowing headroom to deliver local economic growth, social, health and wellbeing benefits through the development of new affordable housing.
- 6.10 During the initial phase of this plan, £8m will be available from existing resources for investment in new housing, derived from capital receipts and working balances. During this phase of investment an appraisal will be completed to establish the most financially advantageous funding model to support further and more significant investment over the later phases of the plan.

- 6.11 RSLs/Registered Providers (RPs) are making an important contribution to meeting housing need in South Kesteven but the Council recognises that the Government's Affordable Housing Programme, administered by the Homes and Communities Agency, is delivering ever-reducing grant per unit and the achievement of viable new developments is increasingly challenging. The Council will be looking at a variety of possible solutions, including the potential to encourage RPs to develop in South Kesteven by better understanding barriers to development and working on solutions to overcome those barriers. Possible solutions, which would complement the use of S.106 commuted sums, could include the provision of financial assistance through loans or other appropriate arrangements.
- 6.12 The pressure faced by SKDC in making considered investment in new homes is compounded by the reality of need for affordable housing in the district exceeding that which can be met from available resources: as such, it is crucial that the maximum benefit is derived from every pound invested. Accordingly, the Council is appraising the full spectrum of procurement options, further refining priorities and considering how best to deliver the desired outcomes whilst managing the associated risks.
- 6.13 A strategy and supporting programme for the delivery of the Council's affordable housing ambitions will be designed to maximise the wide range of benefits derived from the significant level of investment. This will include consideration of all options available; particularly the potential to work with Registered Providers and developers and additional benefits that partnerships and joint ventures could bring.

7 Delivery of the Business Plan: financial strategy and planning

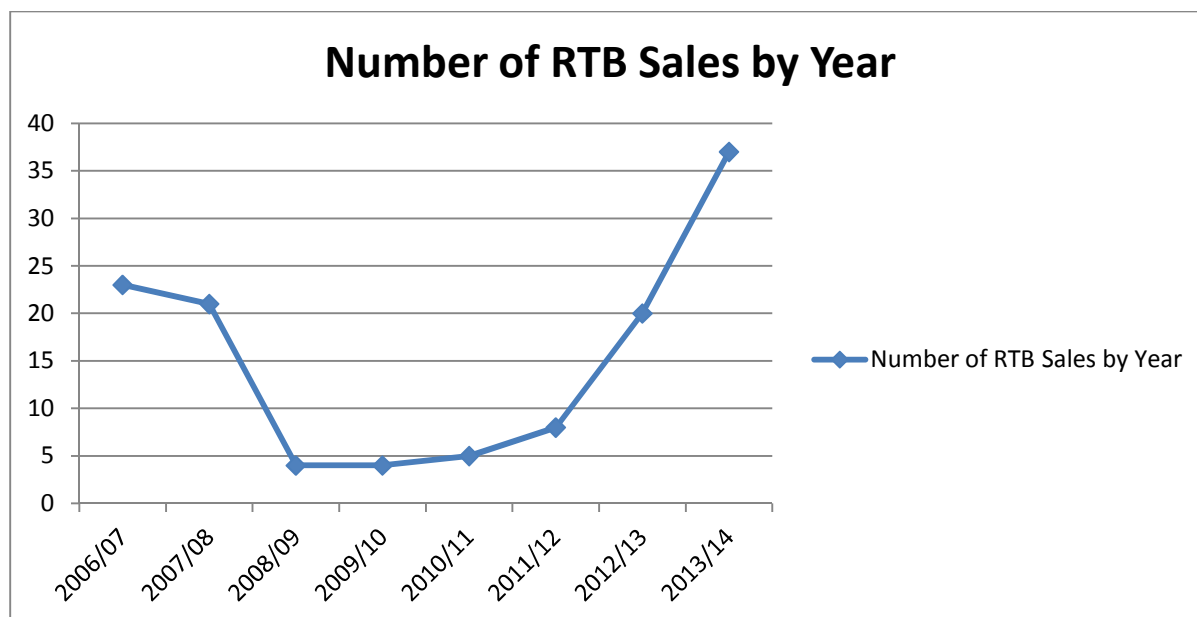
Development and discussion of key policies

- 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 (PWL) 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 The decision to split the loan portfolio in this way was made in order to gain a cash flow advantage and some financial flexibility in the short to medium term. The approach has also permitted the Council to continue to fund its capital investment programme focused on maintaining the SK Standard without the need for further external borrowing. Should the Council wish to make significant levels of additional investment, consideration can be given to re-financing the loans in order to release funds to address the 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 loan, based on a suppressed borrowing rate at the time self financing was introduced. Should the Council consider refinancing the loan the interest rate would, in all probability, be higher.. It is not possible to quantify the actual rate as it will depend upon the timing of the refinancing decision, the duration and size of the replacement loan. However, whilst early indications

are that any rate taken would be in excess of 4%, this is still an attractive level of interest, given historic rates and current levels of inflation. Any rate increase will inevitably result in additional interest being payable on the loan over the repayment period: this would be an inevitable consequence of borrowing funds for additional investment. However, in considering the release of additional funds for investment, consideration should be given not only to the costs of borrowing and to how and when that borrowing will be repaid but also to how that greater investment pool will be utilised: new housing produces additional income streams and helps to offset the loss of available affordable homes to the Right to Buy.

- 7.5 Currently, working balances carried on the HRA are in excess of reasonable requirements and it is proposed to reduce those working balances over the next three years, to a minimum of 10% of gross expenditure (turnover). This will release approximately £5m which could be used to fund business plan activities.
- 7.6 The Government increased the cap on Right to Buy discounts to £75,000 on 2 April 2012. This, as expected, has led to an increase in the number of Right to Buy sales beyond the number that was assumed in the original financial model (11 per annum). As a consequence, the financial model has been reviewed and assumed annual sales have increased to 17 per annum. 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 to the provision of replacement stock. In return, the Council has agreed that Right to Buy receipts will not make up more than 30% of total spend on replacement stock and that any unused receipts will be returned to the Secretary of State with interest. The capital receipts reserve is forecast to rise over the next four years from £1.952M to £3.8M by 2017/18 (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 new build programme over the early part of the plan.

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



7.7 Financing Options

The Council has a number of options it can consider with respect to utilising HRA resources to continue a housing stock replacement programme. Beyond the current allocation of £3M, which will be utilised by March 2015; as stated in Section 6, £8m can be made available in the period to 2018/19 without recourse to re-financing of existing borrowing or utilisation of further borrowing headroom. 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; utilising the £8m referred to, derived from forecast capital receipts and an allocation of £4m from working balances. Potential outcomes from the £8m investment could comprise of mixed property archetypes, reflecting the AMS needs analysis and delivering approximately 75 additional homes.

7.8 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

7.9 Summary of Key Financial Assumptions

A summary of the key financial assumptions underpinning the HRA Business Plan is provided at Appendix 9.

8. Governance and Risk Management

Governance

- 8.1 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."
- 8.2 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.
- 8.3 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.
- 8.4 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

- 8.5 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.
- 8.6 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.

- 8.7 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.
- 8.8 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 monitored 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 34 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 scheduled to reach 100% by March 2015.
- ✓ 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, can afford and enjoy.

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 residents.

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. 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.

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 and other premises

SKDC owns a range of non-housing property currently managed within the HRA, and with ongoing maintenance requirements. These assets will be reviewed to assess their economic viability and to assess their potential for alternative uses, including housing development.

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. 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

Appendix 3

Housing Revenue Account - Action Plan

| Action | Intended Outcomes | By when / frequency |
|---|--|---------------------------------------|
| Value for Money | | |
| Deliver an improved repairs and maintenance service through: <ul style="list-style-type: none"> • enhancement of mobile technology for repairs and voids teams; • electronic van stocking of operatives' vehicles • mobile working for Improvements Team, • online reporting of repairs | Homes well maintained Improved tenant satisfaction More efficient and responsive deployment of personnel Demonstrable improvements to benchmarked value for money | 31 March 2015 31 December 2015 |
| Develop a range of tenancy services available on line 24/7 | Access to services at tenants' convenience Increased productivity of staff | 30 September 2015 |
| Evaluate the alternative options available for the delivery of housing services through strategic and /or operational partnerships | Options identified for step change improvement in value for money Access to the capacity, knowledge and skills to deliver strategic and operational priorities | 31 December 2014 |
| Carry out the bi-ennial 'STAR' survey of tenants | Refreshed benchmark data on tenant satisfaction to inform service improvement planning | 31 March 2015 |
| Development | | |
| Deliver the existing new homes programme | 33 new homes in 2013-15 programme | 31 March 2015 |
| Prepare a delivery strategy for the development of new affordable housing in the district | Increased availability and choice of affordable housing Flexible by design to better meet lifetime challenges | 31 December 2014 |
| Asset Management | | |
| Deliver the Capital Investment Programme | Well maintained homes and assets Achievement of the 'SK Standard' | Monitor annually |
| Complete a pilot fencing improvement project | Pilot project completed and evaluated Improved look of localities and local environment Improved tenant satisfaction | 31 December 2015 |

| | | |
|--|--|---------------------------------|
| | | |
| Operational | | |
| Evaluate options for the replacement of housing ICT systems. | Flexible housing systems providing single view of the customer, including greater use of mobile technologies | 31 March 2015 |
| Implement preferred option | Improved customer information Reduced costs of transactions Increased team productivity | 31 December 2015 |
| Develop online services, accessible at times convenient to tenants | Greater convenience for tenants, also delivering reduced transaction costs and improved staff productivity | 30 th September 2015 |
| Review the Allocations Policy | Improved cost effectiveness of property allocation Updated policy | 31 March 2015 |
| Implement revised re-chargeable repairs policy | Improve recovery of costs of repairs which are tenants' responsibility | September 2014 |
| Financial | | |
| Review the arrangements for the management of non-housing assets. | Rationalisation of management responsibilities and clarification of development potential | December 2014 |

This action plan will be monitored, reviewed and updated annually.

Appendix 4

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 |
| 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% 98% | Q4 2014/15 Q4 2017/18 |
| | 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 annually |
| Operational | | | |
| Void Property Level | The proportion of empty council homes | <1% | Monitored monthly |
| Urgent repairs performance | The proportion completed within target time | 100% | 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 properties with a current gas safety certificate | 100% | Monitored monthly |

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 & Wales | |
|---|----------------|------------------|----------------|------------------|--------------------------|------------------|
| | Current | 2021 projections | Current | 2021 projections | Current | 2021 projections |
| Population | 135,000 (2012) | 148,400 +9.9% | 718,800 (2012) | 796,500 +10.8% | 56,100,000 (2011 census) | 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% | N/A* | N/A* |
| Households of single persons aged 65 and over | 18,000 | 23,000 +27.8% | 98,000 | 121,000 +23.5% | N/A* | N/A* |
| Living with long term illness aged 65 and over | 12,168 (2014) | 14,380 (2020) | 72,815 | 83,507 | N/A* | N/A* |
| COPD % | 2.67% (2011) | 3.10% | 3.32% | 3.50% | N/A* | N/A* |
| CHD % | 5.57% (2011) | 6.40% | 6.80% | 7.10% | N/A* | N/A* |
| Number of adults (18 to 64) with serious physical disabilities | 2043 (2014) | 2149 | 10,692 | 11,370 | N/A* | N/A* |
| Number of adults (10 to 64) with moderate physical disabilities | 6699 | 6968 | 35,300 | 37,084 | N/A* | N/A* |

N/A*: directly comparable data at the national level is not available from the Lincolnshire Research Observatory databases.

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.

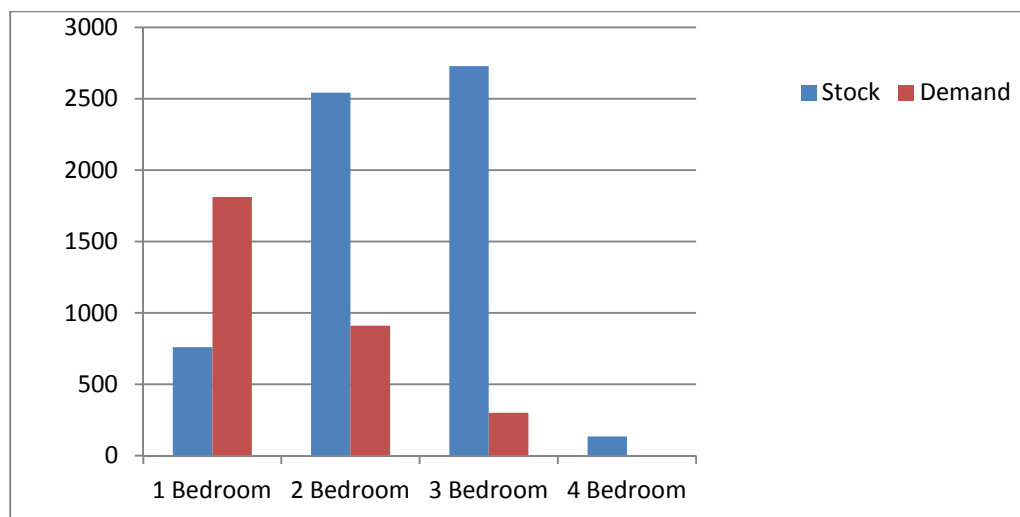
Assessed need: the draft Peterborough Sub-Regional Housing Market Assessment (SHMA) (March 2014) identifies a need for an additional 300 affordable homes per annum (2013-36), over and above the known development pipeline. When re-modelled against predicted changes in household demographics, this assessed 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, locally active Registered Providers (RSLs) have had bids approved in the Homes & Communities Agency's Affordable Housing Programme 2015-18; including proposals for 83 homes in Grantham; 29 homes in Bourne; 12 homes in Carlton Scroop and 12 homes in Tallington.

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.

Appendix 8

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 |

| 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 |
|--------------------------------------|-----------|-------------|
| 2013 General Needs | 76 | 11 |
| 2013 Supported Housing | 87 | 6 |
| 2008 – combined response | 83.1 | 7.7 |

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, and 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.

Appendix 10

SKDC: HRA SELF FINANCING BUSINESS PLAN PROJECTIONS

£96.652m. 30-year EIP @ 3.03% + £25m. 8-year Maturity @ 1.99%

HOUSING REVENUE ACCOUNT

| Year | Net Rents | Other Income | Interest Rec'd. | Total Income | Sup. & Mgt. | Revenue Repairs | Depreciation | Other Revenue | MRR Tfr | Debt Repay. | Int.- Old Debt | Int. - New Debt | Total Expend. | Surplus/ (Deficit) | Bal. B/Fwd. | Bal. C/Fwd. |
|------------|-----------|--------------|-----------------|--------------|-------------|-----------------|--------------|---------------|---------|-------------|----------------|-----------------|---------------|--------------------|-------------|-------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1 2012.13 | 22767 | 1616 | 223 | 24607 | 4640 | 7489 | 5200 | 409 | 0 | 1591 | 215 | 3402 | 22946 | 1660 | 8171 | 9831 |
| 2 2013.14 | 24169 | 1684 | 330 | 26183 | 4529 | 7781 | 2595 | 470 | 3140 | 3222 | 180 | 3304 | 25221 | 963 | 12863 | 13826 |
| 3 2014.15 | 24781 | 882 | 404 | 26067 | 3742 | 7642 | 2589 | 480 | 3334 | 3222 | 160 | 3206 | 24375 | 1692 | 13826 | 15518 |
| 4 2015.16 | 25949 | 905 | 549 | 27403 | 3772 | 7637 | 2594 | 846 | 3523 | 3222 | 133 | 3109 | 24836 | 2568 | 15518 | 18086 |
| 5 2016.17 | 26849 | 928 | 534 | 28311 | 3812 | 7905 | 2598 | 875 | 3717 | 3222 | 130 | 3011 | 25270 | 3041 | 18086 | 21126 |
| 10 2022.23 | 32094 | 1141 | 915 | 34149 | 4686 | 9559 | 2589 | 1057 | 3778 | 3222 | 86 | 1928 | 26905 | 7244 | 22739 | 29983 |
| 15 2027.28 | 37202 | 1355 | 1882 | 40440 | 5565 | 11187 | 2584 | 1237 | 5900 | 3222 | 86 | 1440 | 31222 | 9217 | 60952 | 70169 |
| 20 2032.33 | 43085 | 1609 | 3409 | 48103 | 6610 | 13082 | 2584 | 1447 | 5827 | 3222 | 86 | 952 | 33809 | 14294 | 120236 | 134530 |
| 25 2037.38 | 49843 | 1911 | 4990 | 56745 | 7851 | 15279 | 2588 | 1692 | 11573 | 3222 | 86 | 463 | 42754 | 13990 | 184421 | 198411 |
| 30 2042.43 | 57580 | 2270 | 7741 | 67590 | 9324 | 17821 | 2598 | 1977 | 7343 | 0 | 86 | 0 | 39148 | 28442 | 288597 | 317039 |

Business Plan Assumptions are detailed in Appendix 8

MAJOR REPAIRS RESERVE

| Year | Debt Repayment | Capital Receipts | Notional MRA | Depr'n Transfer | Capital Spend | Bal. In-Yr. | Bal. B/Fwd. | Bal. C/Fwd. | Borrowing Headroom |
|------------|----------------|------------------|--------------|-----------------|---------------|-------------|-------------|-------------|--------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1 2012.13 | | 0 | 0 | 5200 | 3569 | 1631 | 5348 | 5348 | 14582 |
| 1 2013.14 | 0 | 0 | 3140 | 2595 | 4770 | 965 | 3396 | 4361 | 17804 |
| 2 2014.15 | 0 | 0 | 3334 | 2589 | 5950 | -27 | 4361 | 4335 | 21026 |
| 3 2015.16 | 0 | 0 | 3523 | 2594 | 4120 | 1997 | 4335 | 6332 | 24248 |
| 4 2016.17 | 0 | 0 | 3717 | 2598 | 4249 | 2066 | 6332 | 8398 | 27470 |
| 5 2017.18 | 0 | 0 | 3924 | 2597 | 5163 | 1358 | 8398 | 9756 | 30692 |
| 10 2022.23 | 0 | 0 | 3778 | 2589 | 6367 | 0 | 10678 | 10678 | 71802 |
| 15 2027.28 | 0 | 0 | 5900 | 2584 | 8484 | 0 | 10678 | 10678 | 87912 |
| 20 2032.33 | 0 | 0 | 5827 | 2584 | 8410 | 0 | 10678 | 10678 | 120132 |
| 25 2037.38 | 0 | 0 | 11573 | 2588 | 14161 | 0 | 10678 | 10678 | 120132 |
| 30 2042.43 | 0 | 0 | 7343 | 2598 | 9940 | 0 | 10678 | 10678 | 133012 |