People: Property: Place

Dacorum Borough Council Housing Revenue Account

Business Plan

2021 – 2024

Contents

1.0 Introduction

1.0 Introduction

Dacorum Borough Council Housing Service is the landlord for approximately 10,200 council homes across the borough, 2000 of which are sheltered housing for older people. We also own the freehold for approximately 1800 leasehold flats.

Housing is a vital part of the Council's long-term vision for the borough. The Council's Corporate Plan identifies 'Affordable Housing' as a key priority and commits to '*providing good quality affordable homes, particularly to those most in need*'.

The Council has continued to deliver a strong development programme to provide new homes, at social rent, across the borough for local people. In addition to these much-needed homes, a 44-bed homeless hostel, the Elms, and two blocks providing 12 self-contained units of temporary accommodation have been developed. To date we have completed 338 new homes and have a further 383 in the pipeline, with ambition to build more.

Since 2012 and the introduction of self-financing, whereby the Council retains all of the rental income and any growth capital generated to fund investment in the housing stock, a business plan has been developed to enable long term planning. The financial model enables various scenarios of investment to be modelled to make sure there is an appropriate balance between investment in existing homes and new build developments. The financial model is reviewed annually to take account of any external legislative changes that can increase or reduce the availability of revenue, such as the statutory decrease in rents.

The current Business Plan will be for a three year period, as it is acknowledged the Social Housing White paper and Building Safety Bill, as well as the ongoing impact of the Coronavirus pandemic and the response to the Climate emergency, will all require some adjustment in the priority areas of investment.

This plan identifies how the Council will utilise the HRA income and continue to deliver a great housing service, this includes;

- Ensuring tenants' views are listened to and acted upon
- How investment will be made to address priority areas in existing stock and build new homes
- Showing our plans are laid on firm foundations and sustainable
- What additional resources we might have for investment
- Key risks in the delivery of this business plan with actions to mitigate these

2.0 Overview

2.0 Overview

The HRA business plan has been reviewed and updated to include the latest vision, priorities and the financial position of Dacorum's Housing Service. It is aligned to the Corporate Priorities and includes details as to how the housing service can contribute to the net carbon zero targets. The Asset Management strategy is in the process of being updated and a new stock condition survey being commissioned to ensure our investment is in line with the current condition of the housing stock and estates.

The Council has a financial model that demonstrates a sound financial long term plan for its Housing Revenue Account.

This updated business plan starts at the beginning of the financial year 2020/21 and extends over the next 30 years. It incorporates the latest budgetary forecasts and contingency provision has been made for increased investment to address the forthcoming legislative requirements in respect of building safety.

This plan is written for Elected Members, tenants and staff involved in the governance or the management of our housing service and it demonstrates;

- the sustainability of our existing homes;
- how viable our current investment plans are in the long-term;
- the finances available for investment in new homes and investment in our existing stock and service;
- the role of the housing service in the Council's overall vision and priorities.

At the time of updating this business plan we are aware of a number of challenges already impacting the housing service and Dacorum residents. The full implications of the Pandemic upon our tenants and leaseholders, is yet to be realised, but there has been an increase in those applying for Universal Credit and requiring support from our welfare and sustainment teams. The potential increase in bad debt provision is reflected in the financial assumptions.

In addition, the Social Housing White Paper will result in greater external scrutiny and regulation, which may require differing ways of working and delivery of services. The Homelessness Reduction Act and the "Everyone in" ask, during the pandemic have dramatically increased the numbers of households presenting to the Homeless team.

3.0 Delivering for Dacorum

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Around three quarters of our homes are in Dacorum's largest town, Hemel Hempstead, with the remainder spread across the other Hertfordshire towns of Berkhamsted and Tring as well as the surrounding villages.

Dacorum has a population of 154,800. Twenty percent of the population are under 16 and we have significantly less 16 – 24 year olds than the national average. The largest age group totalling 84,800 are aged 25-64; we also have higher than England averages for people aged 85+. On the whole we know that Dacorum is an affluent borough.

We have significantly better than England average levels for income deprivation, child poverty and older people living in deprivation. However analysis of indices of multiple deprivation scores indicates our homes generally exist in the small concentrated pockets of deprivation that exist in some wards in Dacorum. The pandemic may have impacted the employment opportunities of some of our tenants and leaseholders and it is important for us as a Housing Service to work with our tenants to understand their needs, priorities and how best to support them.

Housing plays a key role in delivering on a number of the Council's visions, *by providing good quality affordable homes, in particular for those most in need, creating a clean safe and enjoyable environment by working with tenants and leaseholders to help build strong and vibrant communities.*

Provision of affordable housing, helping people into work and creating employment opportunities through our contracts with external partners and the tenant academy, mean we can assist in creating economic growth and prosperity.

The annual investment of over £30 million into existing homes and assets and our new build programme, ensures we are providing good quality affordable homes in particular for those most in need. Through tenant engagement and homelessness prevention we contribute to clean, safe and enjoyable environments that build strong and vibrant communities. Finally, we are continuing to explore how the use of technology and innovative ways of working can deliver a more efficient and modern service that benefits our tenants.

4.0 Our Housing Service

4.1 Our Housing Strategy

The Housing Service is comprised of four teams that focus upon the various areas of service delivery:

- Tenants and Leaseholders – responsible for the management of the housing landlord functions, from initial sign up, throughout the period of tenancy to the termination of tenancy.
- Property and Place - responsible for the repairs, cyclical maintenance and improvements of our homes and estates.
- Strategic Housing - which includes responsibilities such as fulfilling our homelessness statutory duties and influencing other housing providers such as the private rented sector and housing associations.
- Housing Development – responsible for overseeing the development process from initial designs, through planning and construction to completion and handover of new homes.

Our purpose is to ensure we can meet people's housing need within Dacorum, whether this is through social housing, owned and managed directly by the Council, affordable homes owned and managed by Registered providers or through a more secure and stable private rented sector.

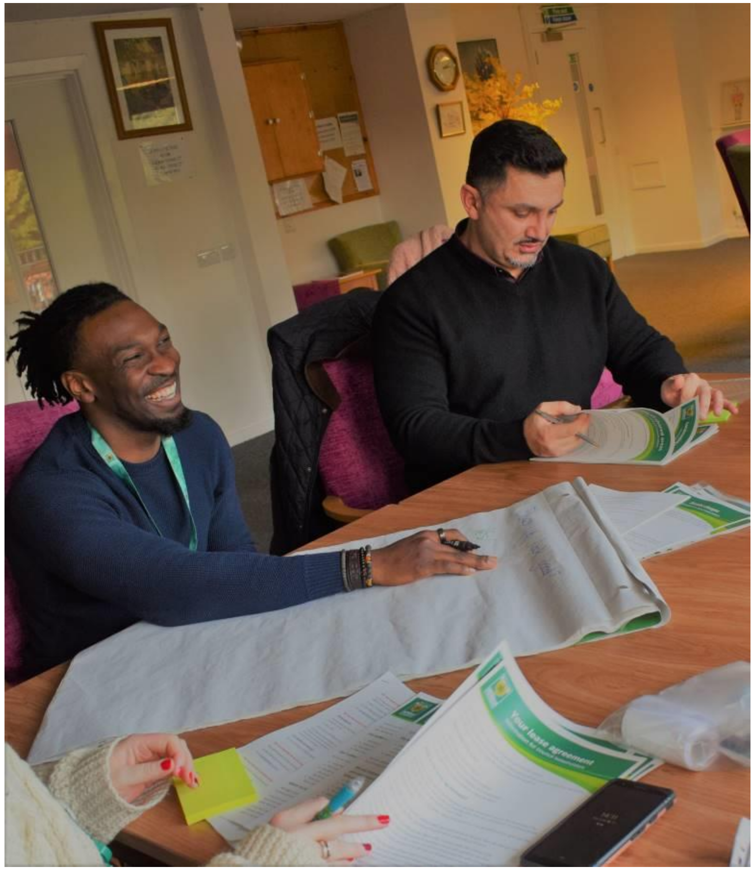
Whilst the HRA is solely used for the delivery of our landlord duties, there are benefits for operating the housing service as a single entity with clear and shared visions and objectives. This will help us to understand the needs for a range of good quality affordable housing tenures in Dacorum and provide a seamless service for residents.

Working with staff, tenants and leaseholders we came up with the following vision for the Housing Service. *'We want Dacorum to be a place people are proud to call home. We will involve our tenants & leaseholders in decisions, provide good quality, affordable homes, help maintain tenancies and prevent homelessness – and be honest about improvements we still need to achieve.'*

To support our shared vision our Housing Strategy also includes the following key strategic objectives:

- Work in partnership to meet the demand for quality, affordable housing Dacorum
- We proactively and effectively tackle poor housing conditions across Dacorum's private housing sector
- We understand our housing stock and use it to provide the right homes to meet tenants needs
- We support and empower our Dacorum Borough Council tenants

4.0 continued



4.2 Our Tenant Involvement Strategy

Dacorum Borough Council is committed to listening to and working with its tenants and leaseholders, giving them a voice to influence the services and decisions made by the Housing service.

By building strong working relationships with our involved Tenants and Leaseholders, we are able to deliver a sustainable service that meets local housing need.

This four-year strategy demonstrates our commitment to genuine partnerships with Tenants and Leaseholders to deliver a great housing service.

Our vision for the new 'Get Involved' strategy 2020-2024 is for all our tenants to have the opportunity to engage with us and directly influence the delivery of services to them by the housing service.

We are committed to ensuring that our tenants feel listened to, so that they are empowered to influence decisions and services.

Tenant involvement provides us with the tenant experience of our services and helps us to prioritise what is important to our tenants, ensuring value for money and excellence in services.

Following the publication of the 'New deal for social housing', we are intent on listening to our tenants and ensuring they have a real voice, tackling the stigma of social housing and making our communities safe and clean environments.

The strategy is underpinned by four commitments which are:

Commitment 1: All Dacorum Tenants and Leaseholders have the opportunity to '*Get Involved*'.

Commitment 2: Dacorum Borough Council works in partnership to ensure the housing service is shaped by the needs of our tenants.

Commitment 3: Dacorum Borough Council will proactively celebrate and promote the positive attributes and value of our social housing and tenants to challenge any stigma.

Commitment 4: Dacorum Borough Council is accountable to its Tenants and Leaseholders.

5.0 Governance and Delivery

5.0 Governance and Delivery

The HRA business plan is a living document, which articulates the short, medium and long-term strategies for the management, maintenance, improvement and addition to the Council's housing stock.

Officers from both housing and finance undertake an annual review of the financial model to ensure it reflects changes to the new build programme, or the impact of external factors and any changes approved by the Council's Cabinet on an annual basis.

Once approved, it is the responsibility of the officers in the Housing Service and Finance Department to monitor and deliver the plan.

To ensure transparency the Tenant and Leaseholder Committee, the top level committee in the '*Get Involved'* Strategy will receive strategic updates on the financial position of the Housing Service against its target. This will also be presented to elected members on the Council's Housing and Communities Overview and Scrutiny Committee.

Each year we will use the annual report to publish our top line figures from the HRA business plan. This will help to keep our tenants informed and offer information around value for money. The annual report is also our opportunity to pull together satisfaction information collected throughout the year and publish our annual goals for the service based on what our tenants feel is important. These are shown through our annual 'promises'. This is outlined further in section 7.

This business plan is supported by a financial model that uses the latest budgetary information to outline the expenditure required for all the key services and priorities of the Housing landlord functions. It does not include the Strategic Housing, which is financed by the Council's General Fund.

Any fundamental changes or circumstances that will see expenditure increase above those provided, or income fall below expectations then the plan will be revisited with support from the stakeholders listed. Swift action allows us to remedy any shortfalls and assess to the medium and longer-term impact to the plan. This flexibility is particularly important as it allows us to consider and react to the numerous changes previously mentioned.

6.0 Homes for the Future

6.1 Our Asset Management Strategy

In year 2017 we produced our Asset Management strategy called 'Homes for the Future'. It commits to having the right homes that meet the required standards and that we work with our tenants, leaseholders and contractors to provide good quality homes for the future. It recognises our homes are the Council's most valuable asset.

The strategy, is currently under review and a stock condition survey will be undertaken to supplement the existing information and provide up to date details of the condition of the components. Once completed a revised strategy will be developed and incorporate the ongoing energy improvement measures and building safety upgrades that will be required to keep our homes fit for the future.

The new strategy will consider the current four commitments and be developed in consultation with a range of stakeholders, including tenant led focus groups, intelligence gathered by our contractors and feedback from the STAR survey. The development of current strategy resulted the following four commitments:

- **Commitment One:** Our housing assets meet the current and future needs of our tenants
- **Commitment Two:** Our tenants live in homes that are safe and maintained to the agreed standard
- **Commitment Three:** Through investments and improvements our assets generate income and support the housing service (HRA) business plan
- **Commitment Four:** We get the best value from our assets and develop homes for the future

In 2014 the Council entered into a number of contracts, for external service providers to deliver the repairs, cyclical maintenance and compliance works and planned improvement work. The contracts are monitored monthly and an annual review undertaken to ensure they are delivering to the promises that they made at tender stage. The options for future delivery models are being explored, so a smooth transition can be achieved and to allow for engagement with tenants and leaseholders.

By achieving effective asset management, the Council can provide good quality accommodation, which can contribute to the carbon reduction targets and enable tenants to live independently, to improve their quality of life and deliver a sustainable service for the future.

6.0 continued

6.2 Our Stock Investment Requirement and Financing

The table below shows the projected Capital spend requirements for our housing stock to both improve and maintain it over the next 30 years. All new homes that have been completed, are underway or approved as part of the Council's new build programme have been accounted for. We have also included a budget for further new homes where sites have not yet been formally approved.

Year	1	2	3	4	5	6	7	8	9	10	11-15	16-20	21-25	26-30	Total
Description	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31-2034.35	2034.35-2039.40	2040.41-2044.45	2045.46-2049.50	
Expenditure	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Capital Maintenance	11,708	17,023	18,066	18,100	18,524	17,523	15,428	15,708	15,993	16,284	84,886	94,146	117,614	134,474	**595,477**
New Build	7,743	24,337	33,911	37,781	22,190	16,375	0	0	0	0	0	0	0	0	**142,337**
Total expenditure	19,451	41,360	51,977	55,881	40,714	33,898	15,428	15,708	15,993	16,284	84,886	94,146	117,614	134,474	737,814
Financing															
Revenue Contributions to Capital	(5,855)	(7,371)	(6,900)	(6,068)	0	0	0	0	0	0	0	0	0	0	**(26,194)**
Capital Receipts and Reserves	(4,624)	(16,258)	(3,006)	(1,766)	(1,000)	(8,500)	(737)	(757)	(778)	(799)	(3,260)	(5,055)	(13,992)	(5,057)	**(65,589)**
Major Repairs Reserve	(6,915)	(10,477)	(13,320)	(13,320)	(13,320)	(13,320)	(14,691)	(14,951)	(15,216)	(15,485)	(81,626)	(89,090)	(97,225)	(106,090)	**(505,045)**
141 Receipts	(2,057)	(7,255)	(6,550)	(2,902)	(2,794)	(2,813)	0	0	0	0	0	0	0	0	**(24,370)**
Borrowing	0	0	(22,200)	(31,825)	(23,600)	(9,266)	0	0	0	0	0	0	(6,397)	(23,328)	**(116,616)**
Total financing	(19,451)	(41,360)	(51,977)	(55,881)	(40,714)	(33,898)	(15,428)	(15,708)	(15,993)	(16,284)	(84,886)	(94,146)	(117,614)	(134,474)	(737,814)
Net (over)/ under financing	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0

All of the expenditure assumptions detailed in the table include the impact of inflation and how this will affect the cost of improvements and maintenance of our stock. The funding for capital expenditure is raised through our rents and sales of properties. An integral accounting adjustment for depreciation results in a charge to the HRA that is then credited to a major repairs reserve, which in turn funds capital works.

A formula used nationally dictates how much we should credit the major repairs reserve. If there is a shortfall in funding capital works we are able to top this up with revenue contributions from the HRA.

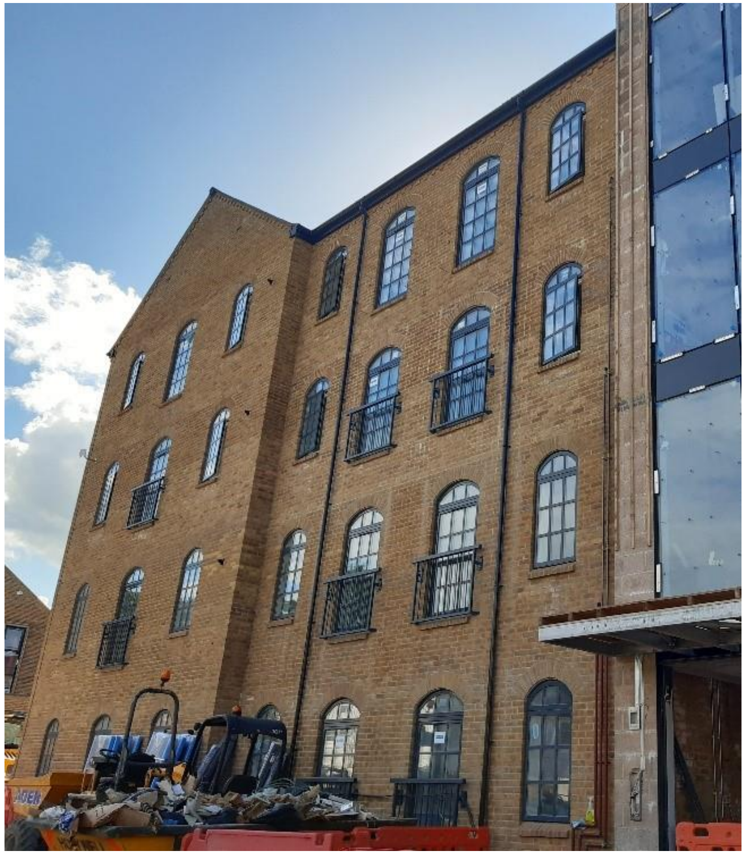
Right to Buy receipts help fund both capital works and new build expenditure, in particular '1-4-1' receipts which we go on to discuss in more detail in sections 8 and 9.

Other capital receipts and grants received by the HRA are a result of shared ownership properties and properties purposefully built to sell on the open market. This allows us to subsidise the cost of building new affordable homes.

In the later stages of the plan we detail required borrowing for the HRA account. This is further explained in section 8.

Overall this table shows the HRA can afford to meet our capital investment, maintenance and current new build targets.

7.0 Our Priorities



7.0 Our Priorities

In 2020 we conducted the Survey of Tenants and Residents (STAR). STAR is a satisfaction survey that helps landlords to identify and evidence how well they are meeting the needs of tenants and leaseholders and engaging them in the work that they do.

The results showed we are delivering a good quality service to our tenants and leaseholders. We found that 77% of our general needs tenants, 90% of our supported housing tenants and 62% of leaseholders who responded to the survey are satisfied with the overall service they receive.

Key action points arising from the survey are that we need to work in partnership with our TAM partner, Osborne Property Services Ltd to improve satisfaction. The expenditures dedicated to repairs within this plan will offer certainty to our tenants and leaseholders that improving and maintaining our stock continues to be a main priority for the Housing Service.

Another recommendation is to improve tenants' and leaseholders' perceptions of feeling listened to. Our new approach and structure for delivering Tenant Involvement and investment in digital communications will achieve this.

The forthcoming Building Safety Bill, which has been developed following the Dame Judith Hackitt Review of the tragic fire at Grenfell Tower in London, will require the management of health and safety to be undertaken in line with new Building Regulations and Statutory instruments and the need for high rise (over 18M) higher risk buildings to be certified as compliant. The Council has for some time had a robust approach to managing Fire Safety, Gas Servicing and other statutory compliance within its housing stock and is undertaking the necessary preparations to ensure we are able to comply with the new regulatory requirements.

The Council has committed to building new homes across the borough and this remains a priority. There is always an appetite to deliver more homes and all options to support this endeavour are considered. With a growing demand for housing and the need for it to be affordable, we will where possible seek to extend our development programme above the expenditure detailed within this plan.

As well as the 338 new homes already completed, there are approximately 383 either on site or at the planning stages with a future pipeline being finalised.

8.0 The HRA Finances

8.1 The HRA Forecasts

In section 6.2 we have shown that we can meet our core investment needs as per the asset management strategy and deliver additional affordable homes.

This section reviews the HRA and the day to day income and expenditure forecasts. See appendix one for the details behind the HRA and Capital forecasts including assumptions made.

As part of the national self-financing settlement the HRA took on debt of £354million in place of making an annual subsidy contribution. This in effect made HRA business plans easier to produce as it enables us to project our finances and understand what resources are available.

The Government lifted limits placed on HRA borrowing during 2018/19. This limit was known as the 'HRA debt cap'. The lifting of the debt cap gives the Council more flexibility in the financing of its HRA capital programme.

The borrowing to date has been predominantly through the Public Works Loan Board (PWLB), which was supplemented in the early years of the plan through direct borrowing from the General Fund reserves.

A number of assumptions, which are contained in Appendix A, are used to inform the forecasts and there are contingency sums included in the forecast for the costs associated with the increased regulatory requirements arising from the Building Safety Bill and investment in Energy efficiency measures.

It is also recognised that in order to provide tenants with more information that relates to their tenancy and their homes, that there will need to be investment in a customer portal so that real time rental information, gas servicing certificates, electrical test certificates repairs report status and other information relating to the property or their tenancy can be accessed online. Provision for investment in new systems is included in the capital forecasts and will be delivered to align with other corporate ICT projects.

Business Plan Forecast 2020-2050

Year Description	1 2020.21	2 2021.22	3 2022.23	4 2023.24	5 2024.25	6 2025.26	7 2026.27	8 2027.28	9 2028.29	10 2029.30	11-15 2030.31-2034.35	16-20 2035.36-2039.40	21-25 2040.41-2044.45	26-30 2045.46-2049.50	Total
Income	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Rental Income	(54,358)	(55,465)	(56,866)	(59,355)	(62,927)	(63,718)	(65,187)	(66,338)	(67,509)	(68,699)	(363,694)	(396,870)	(433,045)	(472,457)	**(2,286,490)**
Service charge income	(2,175)	(2,500)	(2,545)	(2,596)	(2,656)	(2,709)	(2,763)	(2,818)	(2,875)	(2,932)	(15,563)	(17,183)	(18,972)	(20,946)	**(99,233)**
Other Income	(357)	(357)	(363)	(371)	(379)	(387)	(395)	(402)	(410)	(419)	(2,222)	(2,454)	(2,709)	(2,991)	**(14,217)**
Total income	**(56,890)**	**(58,322)**	**(59,775)**	**(62,322)**	**(65,962)**	**(66,814)**	**(68,345)**	**(69,559)**	**(70,794)**	**(72,050)**	**(381,480)**	**(416,508)**	**(454,726)**	**(496,394)**	**(2,399,940)**
Expenditure															
Management	14,673	14,069	14,334	14,683	15,060	15,444	15,754	16,071	16,395	16,725	88,808	98,112	108,394	119,757	**568,280**
Bad debt provision	2,075	975	1,003	1,047	1,110	1,124	1,150	1,170	1,191	1,212	6,418	7,003	7,642	8,337	**41,458**
Responsive & Cyclical Repairs	7,899	11,608	11,890	12,294	12,719	13,174	13,552	14,013	14,454	14,936	81,269	93,104	106,648	122,145	**529,705**
Total expenditure	**24,647**	**26,652**	**27,227**	**28,024**	**28,889**	**29,742**	**30,457**	**31,255**	**32,040**	**32,873**	**176,494**	**198,219**	**222,684**	**250,239**	**1,139,443**
Capital financing costs															
Interest paid	11,586	11,586	11,745	12,822	13,709	14,042	13,923	13,616	13,250	12,900	58,540	51,182	38,723	14,004	**291,628**
Interest received	(93)	(191)	(172)	(165)	(183)	(199)	(229)	(280)	(302)	(269)	(1,326)	(1,528)	(1,332)	(1,307)	**(7,575)**
Depreciation	12,866	12,905	13,216	13,602	14,030	14,401	14,691	14,951	15,216	15,485	81,626	89,090	97,225	106,090	**515,392**
Capital financing costs	**24,359**	**24,299**	**24,790**	**26,259**	**27,556**	**28,244**	**28,385**	**28,287**	**28,163**	**28,115**	**138,840**	**138,745**	**134,617**	**118,786**	**799,445**
Appropriations															
Revenue contribution to repayment of debt	0	0	1,166	2,028	9,007	8,489	9,222	9,895	10,498	11,025	65,750	79,140	97,089	126,845	**430,151**
Revenue contribution to capital	5,855	7,371	6,900	6,068	0	0	0	0	0	0	0	0	0	0	**26,194**
Revenue contribution to reserves	2,029	0	0	0	0	0	0	0	0	0	0	0	0	0	**2,028**
Appropriations	**7,884**	**7,371**	**8,067**	**8,095**	**9,007**	**8,489**	**9,222**	**9,895**	**10,498**	**11,025**	**65,750**	**79,140**	**97,089**	**126,845**	**458,373**
Net (income)/ expenditure	**0**	**0**	**308**	**56**	**(510)**	**(340)**	**(281)**	**(122)**	**(93)**	**(37)**	**(396)**	**(404)**	**(337)**	**(524)**	**(2,679)**

This table shows the forecast net income/ expenditure on the HRA. It indicates that the HRA can remain balanced over the 30 years projected.

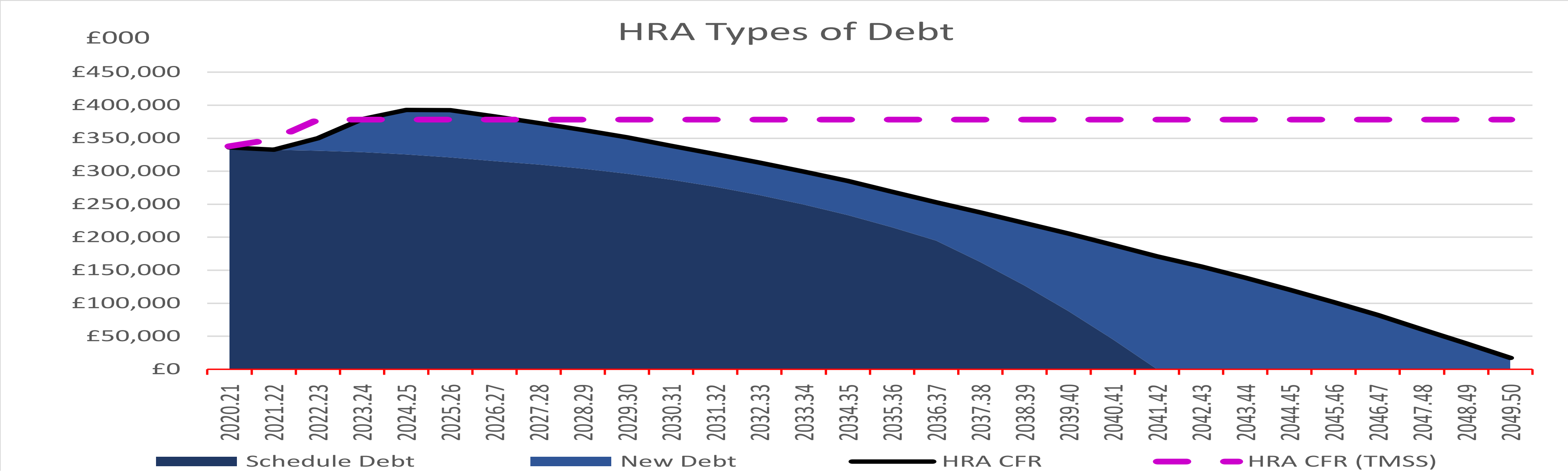
Forecast HRA income and expenditure allows the HRA to meet: the cost of day to day management and repairs for our housing stock; manage interest charges; the depreciation charge that funds capital works through the major repairs reserve; and top up the funding for capital works through revenue contributions. A minimum balance has been set within this financial model to ensure the HRA working balance does not go below an agreed figure.

8.0 Continued

8.2 The Treasury Management Strategy

The treasury management strategy determines how the business plan will be financed and considers income received, through rents, 1-4-1 receipts, selective market sales of new build units or borrowing, against the costs of management and supervision, maintenance of the existing stock and new build programmes and repayment of interest and capital on the debt.

This graph shows our projected borrowing position. It highlights our capital expenditure needs against the required HRA balance.



The dark blue area shows the balances for the original loans taken out with the transition to self-financing. This will be fully repaid by year 22. In line with the capital funding requirements in section 6.0, new borrowing is required to fully finance the capital programme in the later years. This is shown in lighter blue. New borrowing is a result of changes to rent policy causing a reduction in previously anticipated levels of income, an increase in numbers of right to buys and the need to match fund 70% of the new build programme to avoid losing receipts. The purple dotted line shows the level of the former HRA debt cap for comparative purposes.

In summary the HRA will remain balanced, fully funded and become debt-free in 32 years.

8.0 Continued

8.3 HRA Resources Available

Whilst the HRA has a minimum balance set for unforeseen short-term impacts such as high responsive repairs expenditure, we cannot assume that there are additional resources available to meet all the priorities outlined in section 7.

Additional resources available to the HRA are primarily through borrowing. Additional borrowing incurs additional interest payments on the associated debt, which has an impact on the minimum HRA balance.

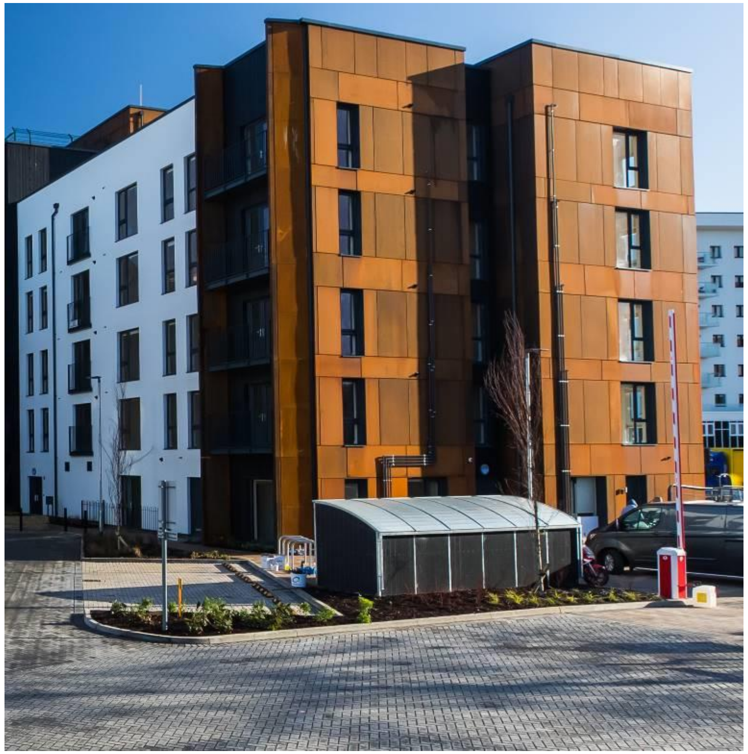
In summary, whilst the HRA has borrowing capacity to fund tenants' priorities, it is essential we understand the potential impact associated with each of the priorities listed before committing resources.

The annual update of this business plan will allow us to effectively monitor and make such decisions and the financial model that determines the viability of the business plan is reviewed to ensure any external variables have been accounted for and that the plan is deliverable.

The impact of the Pandemic cannot be fully assessed, but there has been an increase in the bad debt provision to allow for any ongoing economic shock that impacts the ability of our tenants to pay their rent. It is anticipated that there will be an ongoing need to support a number of households to sustain their tenancies and that there could be a changing view of sheltered accommodation, but at the time of writing it is not possible to understand the full financial implications.

The lockdown restrictions and concerns from tenants regarding internal works being carried out has resulted in a reduced level of capital investment in 2020-21, which has been smoothed over the next two years, as it is likely that the first two quarters of 2021-22, will still be impacted until the vaccination programme has been fully delivered.

9.0 Risks and Challenges



9.0 The Risks and Challenges

We have identified four key areas that could have significant impact to the financial projections detailed in section 8.

Risks

Cost Inflation

Following the exit of the UK from the European Union, interest rates have and are predicted to remain low, but the threat of inflation remains. Although a trade deal was reached with the EU, there are a number of materials that are imported and as the value of sterling remains lower than in the past, has resulted in costs increasing. If this continues and alternative UK produced materials are not available, this could affect both our ability to maintain our current homes and our ability to deliver our New Builds. This means our current available resources within the plan would become increasingly limited.

Right to Buys

There is a level of volatility regarding levels of Right to Buy and prediction is difficult, especially in the current economic climate. An increase in uptake for Right to Buy would see a reduction in our rental income. A decrease in sales results in more income but more properties to maintain and less receipt for use. Each sale results in a '1-4-1' receipt which we have to spend on providing new affordable homes within a 3-year timeframe. With the development costs of 70% falling to us and the remaining 30% from these receipts, we are under additional pressure to either build new homes in a shorter timescale, absolve our portion of the cost to do so, or return these receipts to Central Government. We are actively working with a number of Registered Social Landlords who we can 'grant' these receipts to for the provision of affordable housing, but a number of schemes have suffered delays through the pandemic. Ministry for Housing Communities and Local Government has granted a small extension of these timescales.

Challenges

Housing White Paper The detail is not currently available on the new role of the social housing regulator and the impact upon stock retained local authorities. Whilst the detail of the recommendations of the Housing White paper are understood and the Council are currently delivering many of these within the current service offering, there could be additional costs associated with demonstrating compliance with a set of performance indices that have not been developed.

9.0 Continued

9.0 The Risks and Challenges continued

<u>Climate Emergency</u>

The challenge is to try and improve upon the target of 2050, which is the national target set for domestic dwellings. The Council are working with Energy Savings Trust to model the stock and identify those energy efficiency measures, which result in the maximum carbon reduction for the least financial investment. The reality of the situation is that the actions of the occupiers have the greatest impact on the ability to reduce the carbon use and it is essential that we work with tenants to consider the various methods to reduce the energy consumption of households.

<u>Short to Medium term impact of the pandemic on the economy</u>

The potential for a number of tenants or leaseholders to be negatively impacted financially, from the economic effects of the Pandemic, is one which could impact the bad debt provision and consultation with leaseholders will be even more important before works are programmed, to understand any risks of recovering costs through the Section 20 process.

<u>Evictions from the private rented sector after suspension of all court activity</u>

Throughout the pandemic there has been a desire for everyone to remain in their accommodation, so that during periods of lockdown everyone has accommodation, even if this is temporary in nature. One of the mechanisms that was introduced to achieve this objective was a suspension of court activity that would result in eviction of tenants from their accommodation. The period of suspension on evictions has been extended as the impact of the pandemic required further periods of lockdown. Housing advice has been provided to a number of households in the private rented sector who are at risk of eviction when the courts recommence eviction proceedings and this could result in an increase in households requiring support from the Council to secure suitable accommodation, or a number becoming homeless. It is anticipated that this could put pressure on the need for temporary accommodation and move on accommodation, some of which may be funded through the HRA and impact the business plan.

Appendix One

Financial Assumptions

The 30-year business plan has been based on the approved budget for 2020/21, adjusted for any revenue impact of new build schemes yet to receive formal approval. The capital expenditure has been derived from the housing asset management database and current new build programme. In order to project forward the remaining 29, years certain assumptions have to be made in order to provide for the projections. These are:

Item	Assumption
Rent Increases	Years 2 onwards CPI + 1% for the next five years, and CPI for the remaining years throughout plan. New tenancies re-let at (social) formula rent.
RPI	Year 2 RPI (1.3%), Year 3 RPI(2.8%), and 3.0% for the remainder years throughout plan– applies to service charges, other income, management costs, repairs and maintenance costs
Minimum HRA Balance	5% of turnover
Major Repairs Reserve Balance	Nil – to be fully utilised each year to fund capital works and new build
New Build Programme	264 units built, 46 in progress, 367 in pipeline. Let at existing (social) formula rent levels.
Voids and Bad Debts	Voids: 0.8% of gross income Bad Debts: 1.80%.
Right to Buy sales	Assumption of 24 sales per year. The self-financing settlement assumed an average of 20 per year. The HRA benefits from all retained right to buy receipts.
Interest Rates	On existing borrowing the loan interest rates are fixed with levels between 3.0% and 4% depending on the duration. New borrowing which is assumed in the plan is modelled at 1.7% in 21/22 and 4.0% thereafter.