RESOURCES, REMUNERATION AND REGENERATION COMMITTEE
5 JANUARY 2012

ITEM B2

HOUSING REVENUE ACCOUNT BUSINESS PLAN (HRABP) 2012/42, RENTS AND SERVICE CHARGES 2012/13

Report of the Director and Company Secretary

1. SUMMARY

The Housing Revenue Account (HRA) is to be reformed in April 2012, and the subsidy system abolished. The Council will be required to pay Central Government £29.5m as a consequence. As a result of the new system the HRA will be better off financially and able to sustain Council housing into the future. The Council has issued an HRA Business Plan (HRABP) to indicate their plans for that future, and is seeking comments on the plan from interested parties. This report highlights some of the key changes that will occur as a consequence, and asks for any comments to be fed back to the Council.

2. RECOMMENDATION

To make any comments that the Committee sees fit on the consultation from the Council on the HRA business plan and rental increases.

3. MATTER FOR CONSIDERATION

3.1 Following the passage of the Localism Act 2011, the abolition of the HRA subsidy system is now set for April 2012. As a result, an additional debt will be placed on the HRA of £29.493m at the end of this financial year. A debt cap of just under £240m will also be imposed on the Council's HRA.

3.2 The previous arrangement would have required the Council to continue to pay subsidy payments to Central Government which would have increased at around £1m a year from around £7m in 2012/13.

3.3 As a result of the change, the HRA will be markedly better off than it was previously, although it is taking on considerable new risks in terms of interest rates, levels of Right to Buy sales and ability to increase rents to the assumed – convergence – levels. Without rents increasing to the convergence level within four years as assumed by the Government, the plan would have to be reduced very sharply – every percent of rent (average 70p a week) is around £0.5m of income for the HRA.

3.4 Under the previous system, rents would have risen to these convergence levels anyway, but with the new system, the additional resources raised from those rents will be available – once interest on the extra debt is met – to support the HRA and therefore to maintain homes and services.

3.5 In the last plan under the old system there was a shortfall in funds over 30 years of between £250m and £400m. This shortfall has effectively largely been met in the new system, again assuming rents increase as planned to convergence with Housing Association levels. The full plans are set out in the HRABP which is attached at Appendix 1.

3.6 As a consequence, and following consultation with tenants, new long term standards are proposed in the Council's plans for the future relating to the major components in most homes:

- Kitchens 20 years
- Bathrooms 25 years
- Boilers 13 years
- Heating system 26 years
- Wiring 40 years
- Roof 60 years

3.7 As a consequence of setting wiring at 40 years rather than 30 years, there is a saving of £250,000 a year, and it is proposed that this funding could be considered to set up a fund to extend fencing across the City. Clearly such an amount would not deal with all demand in one go, but it could make a significant start in improving poor fencing where it is evident. The intention is to consult tenants about whether this is the best use of this money.

3.8 In addition to the standards above, it is intended to support a number of other items to increase or maintain spending:

- £900,000 a year more for cyclical maintenance (painting, fencing,paths etc) – this will increase the budget to £1.5m a year or £110 a year per property – this is felt to be the minimum required for the long term upkeep of the externals of homes.
- £300,000 to continue Quick Fix and Housing Focus Group spending at current levels
- £125,000 to continue Neighbourhood working
- £100,000 to continue Youth intervention funds
- £50,000 to add to any funding available for Family Intervention Project work
- £150,000 towards tackling underoccupation issues
- £300,000 extra funding from the HRA to sustain Derby Advice at a time when it would be facing severe reductions otherwise
- Transitional support if needed to deal with any Supporting People funding reductions when they are fully clarified.

3.9 Substantial challenges remain – in particular with respect to the loss of Supporting People funding, where a reduction of 25% has already been notified with respect to the Supported Living Service.

3.10 The overall picture does leave sufficient funding for a small programme of new build to become possible as long as the major risks – rental income, interest rates and inflation – act broadly as expected. Such a programme would be around £6m over the first three years and then could perhaps be sustained at around ten properties a year – perhaps more depending on grant availability from the HCA or Central Government.

3.11 In terms of rents, the current average rent remains around 10% (£7 a week) below the target rent – what ‘should’ be being charged. It is intended to change our rental statement at the start of the year to show the target rent as well as what is being charged. All new tenants are now being charged the target rent, and it is proposed that all existing tenants rents be constrained by the current rule that limits individual rent increases to September RPI (5.6% this year) plus 0.5% plus a maximum of £2 a week (based on a 52 week year). The overall average increase this year would therefore be 8.3%. Around half of this funding comes from the Government in Housing Benefit and the other half from tenants.

3.12 A consultation on rent free weeks has been held at Housing Focus Groups as to whether the increase could be reduced by spreading across more rental weeks. The overwhelming response so far has been to keep the current system of four rent free weeks and a higher basic rent, as this helps tenants to manage their finances over the year.

3.13 Other service charges should increase in line with inflation only as they are intended to cover costs only. The general increases will therefore be around 5% for 2012/13. The exception to this will be for utility bills which have to be based on actual costs, and where there have been very sharp increases in costs this year.

3.14 Appendix 6 details the communal utility bills at sheltered housing blocks. Some of the increases are unfortunately very steep as gas prices for the Council have increased this year by 40% and in some cases tenants have not been contributing towards electricity bills in anticipation of separate meters being installed. The cost of installing meters is prohibitive and it is suggested that the bills revert to including electricity at Whitecross House and Kestrel House. Tenants in this position have in effect had a couple of years of free electricity, and the proposed increases will end that position. At Rebecca House the charges will be slightly cheaper than the current rates, reflecting the successful separation of their electricity meters which was successfully undertaken during the refurbishment of the flats.

3.15 Comments of the Committee are invited on the plan as it has been drafted.

4. CONSULTATION IMPLICATIONS

The Council consults its tenants every year through an open meeting of the Derby Association of Community Partners, and will again on 9 January 2012 on this plan.

5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

Derby Homes’ income is almost all derived from the HRA. As a consequence, the financial position of the HRA is of crucial importance to Derby Homes as well as to the Council and tenants.

6. LEGAL AND CONFIDENTIALITY IMPLICATIONS

Four weeks’ notice is required of any change to rents and service charges.

7. COUNCIL IMPLICATIONS

This is a matter which requires the approval of the Council. Approval for rent and service charge increases will be sought at the meeting of the Council in March 2012, and approval for the HRA business plan will be sought from the Cabinet in February 2012.

8. RISK IMPLICATIONS

The HRABP includes a separate risk register detailing the relevant risks.

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The areas listed below have no implications directly arising from this report:

Personnel
Environmental
Equalities Impact Assessment
Health & Safety
Policy Review

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or Phil Davies, Chief Executive, phil.davies@derbyhomes.org – Phone: 01332 888528

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Background Information:	Appendix 1 HRABP consultation Appendix 2 Utility bills
Supporting Information:	Previous reports to Board on HRA reform

Appendix 1

Derby City Council
Housing Revenue Account
Business Plan
2012/42

December 2011

Contents

Housing Revenue Account (HRA) Business Plan 2012/42 (HRABP)

This report is in 10 sections:

- Introduction
- Vision and Mission
- Governance and Tenant Empowerment
- Asset Management
  - Maintenance Standards
  - Regeneration and development
  - Climate Change
  - Repairs Standards
- Rent Policy
- Debt and Treasury Management
- Housing Management Standards
- Value for Money Strategy
- Risk
- Financial Plan

1. Introduction

1.1 Derby City Council welcomes the opportunity that reform of the HRA gives to move planning for Council Housing onto a proper long term basis with funding that will hopefully prove to be adequate for the needs of our current and future tenants. The government's exposition of the reforms is attached at Appendix 1. The intention of this HRABP is to set out the broad plans that envisaged for the future and to develop a joint vision with Derby Homes about the future of Council Housing in Derby.

1.2 Self financing means a fundamental change in the financial arrangements for Council housing. The previous system relied on a national approach, with some key risks for Councils – notably interest rates - underwritten by central government. The complexity and volatility of the subsidy system which attempted to make the system fair by allocating resources from the centre meant that it was hard to effectively plan for the long term – at any point resources could be effectively diverted to other areas of the country or rent policy could be changed with very little notice.

1.3 The new system essentially exchanges central controls for additional debt placed on Councils. In Derby's case the additional debt is £29.5m. The total debt on Derby's 13,500 council homes is therefore £237.933m, with a debt 'cap' of £240m.

1.4 The HRA will in future have around £3m a year more than is currently spent on major works, and will also be able to sustain most of its current programmes, such as Neighbourhood Working, Youth inclusion and minor works delegated to City Board and Housing Focus Groups. Although Estates Pride will finish as planned, this will be replaced by higher basic funds for component replacement, an adequate cyclical maintenance programme (painting and fencing) plus a small element of discretionary spending that could be used for a number of purposes – for instance starting a programme of rear fencing – on which tenants can be consulted further. The overall effect of the reform is expected to provide – subject to right to buy levels - sufficient funding to support long term sustainable council housing for Derby.

2. Vision and Mission

2.1 The Council's HRA Business Plan, HRABP, aligns with the following plans:

- Derby Plan 2011 – 2026
- Council Plan 2011 – 2014
- Council's Housing Strategy 2009 – 2014

It also aligns with Derby Homes'
- Mission, and
- Annual Delivery Plan.

2.2 The delivery of the HRA Business Plan will help realise the wider housing strategic priorities set out in the Council's Housing Strategy for housing across all tenures in Derby demonstrated in the table below.

HRA Business Plan contribution to the Council's Strategic Housing Priorities

Housing Strategy Priorities	HRA Business Plan Contribution
Cohesive and empowered communities	Derby Homes' policies and procedures for tackling Anti Social Behaviour and increasing residents ability to influence decision making
Affordable and accessible housing with appropriate and timely housing advice	As part of the asset management process, identifying potential for the development of new, affordable housing
Improving homes and the living environment	Through programmes of major repairs and improvements to the Council's housing stock, including work to improve energy efficiency
Supporting vulnerable residents	Via the provision of accommodation for homeless applicants, work to support vulnerable tenants to maintain their tenancies and support to vulnerable

	council tenants through sheltered and other housing services.

2.3 In addition the delivery of the HRA Business Plan will assist the Council to achieve its key strategic outcomes set out in the Derby Plan 2011 – 2026 and the Council Plan 2011 – 2014. The following diagram shows the connection between these documents and this plan.

The Derby Plan 2011 – 2026 Key Outcomes					
…a thriving sustainable economy	…achieving their learning potential	…good health and well-being	…being safe and feeling safe	…a strong community	…an active cultural Life

↓

The Council Plan 2011 – 2014 supports 'The Derby Plan' key outcomes focusing on areas where, as a local authority, improvements can be made. Two additional outcomes were developed, which are supported by the ***'one Derby, one council'*** transformation programme...	
...good-quality services that meet local needs	...a skilled and motivated workforce

↓

Housing Strategy 2009 – 2014 Strategic Priorities			
Cohesive and empowered communities	Affordable and accessible housing with appropriate and timely housing advice	Improving homes and the living environment	Supporting vulnerable residents

↓

HRA Business Plan – Themes			
Asset Management	Tenant Empowerment	Neighbourhood and Communities	Value for Money

↓

Derby Homes' mission		
'To secure the best future for council housing tenants and services in Derby'		

Derby Homes Delivery Plan Strategic Objectives		
Decent Homes and Successful Neighbourhoods	Excellent Customer Service	Energy Efficient Homes and Services

2.4 The reform of the HRA gives the Council an opportunity to consider its long term financial position relating to council housing and to place it on a secure footing by agreeing the core rules that should drive the governance of the HRA for the future.

2.5 Four principles are suggested to underpin the plan:

2.5.1 The first principle is to maximise income for the HRA by means of charging and recovering from tenants and leaseholders, rents and service charges that are adequate to manage and maintain homes and estates into the future. This will enable the best level of service to be provided to tenants in the long term and provide homes and estates where people want to live

2.5.2 The second principle is to enable tenants to participate in the determination of policy and priorities for spend using tenant involvement led by Derby Homes.

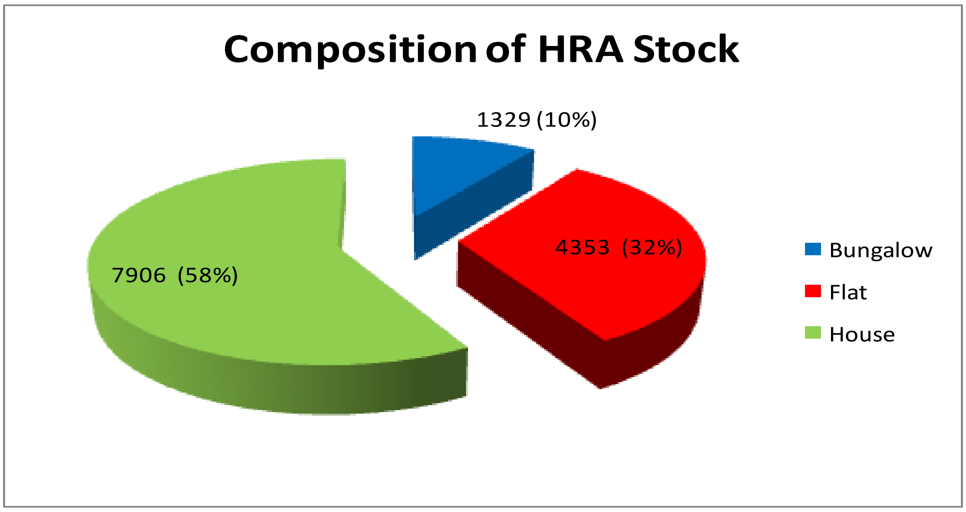
2.5.3 The third principle is to ensure value for money and efficiency, to challenge ourselves to ensure the funds in the HRA are spent as efficiently and effectively as possible,

2.5.4 The fourth principle is that the plan supports the Council's strategic aims, and the Council's Housing Strategy. As such it has a wider role to

- ensure cohesive and stronger communities,
- meet the housing needs of the City through new build
- sustain neighbourhoods through regeneration
- to meet the needs especially of vulnerable residents.

Housing Stock

As at 31 April 2011, Derby City's HRA stock comprised of 13,588 rented properties and 486 leasehold properties.

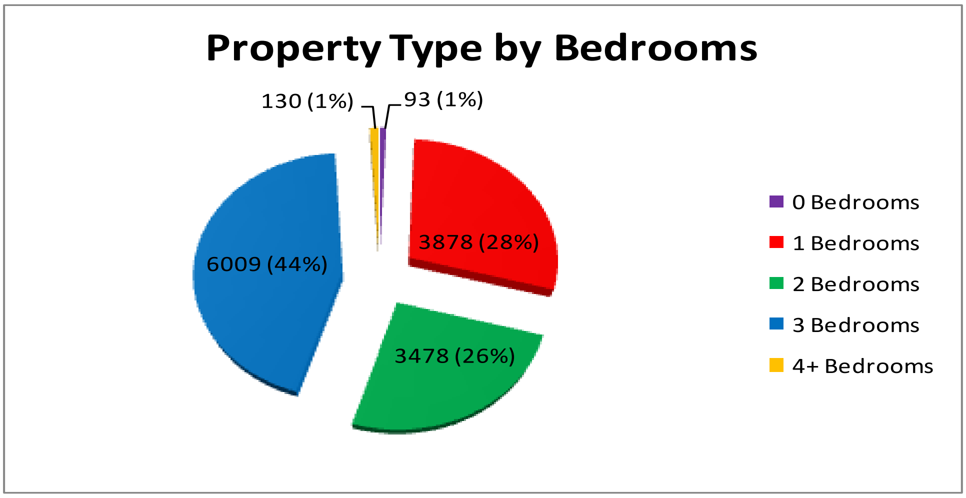


32% of housing stock[1] comprises of flats and maisonettes, 10% comprises of bungalows and the remaining 58% of houses.

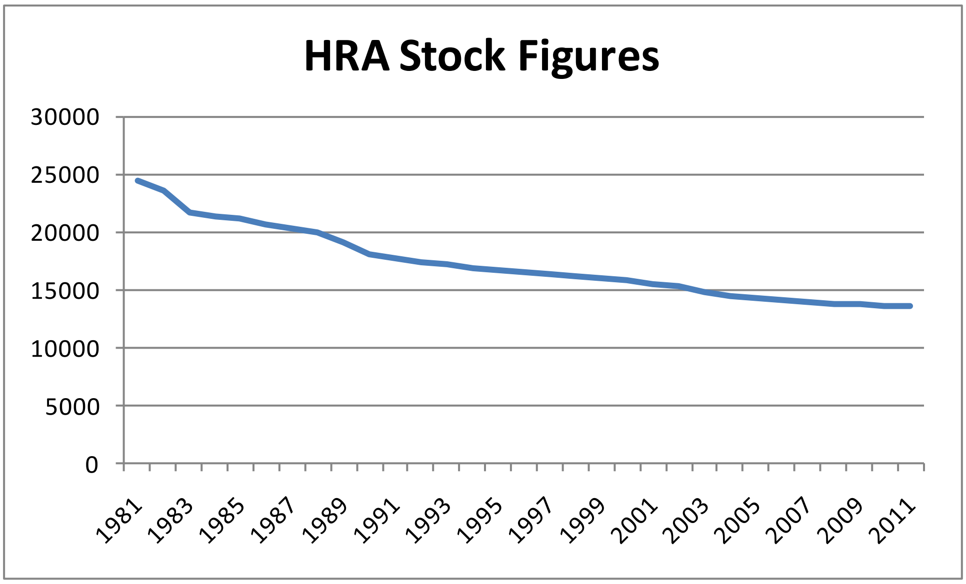
[1] As at 31/03/11

Breakdown of HRA Stock by Type, Size and Age							
	Pre 1919	1919-1944	1945-1964	1965-1974	1975-1990	1991+	All Ages
Houses							
1 bed	0	66	0	0	2	0	68
2 bed	42	860	731	51	163	13	1860
3 bed	12	3226	1933	349	315	13	5848
4 bed	1	52	40	14	15	0	122
5+bed	0	7	1	0	0	0	8
All Houses	**55**	**4211**	**2705**	**414**	**495**	**26**	**7906**
Bungalows							0
0 bed	0	0	26	0	0	0	26
1 bed	0	155	654	138	3	0	950
2 bed	1	2	221	33	4	0	261
3 bed	0	0	84	1	7	0	92
All Bungalows	**1**	**157**	**985**	**172**	**14**	**0**	**1329**
Flats & Maisonettes							0
0 bed				5	62		67
1 bed		105	54	757	1944		2860
2 bed		14	469	504	366	4	1357
3 bed			26	22	21		69
All Flats & Maisonettes	**0**	**119**	**549**	**1288**	**2393**	**4**	**4353**
All Dwellings	**56**	**4487**	**4239**	**1874**	**2902**	**30**	**13588**

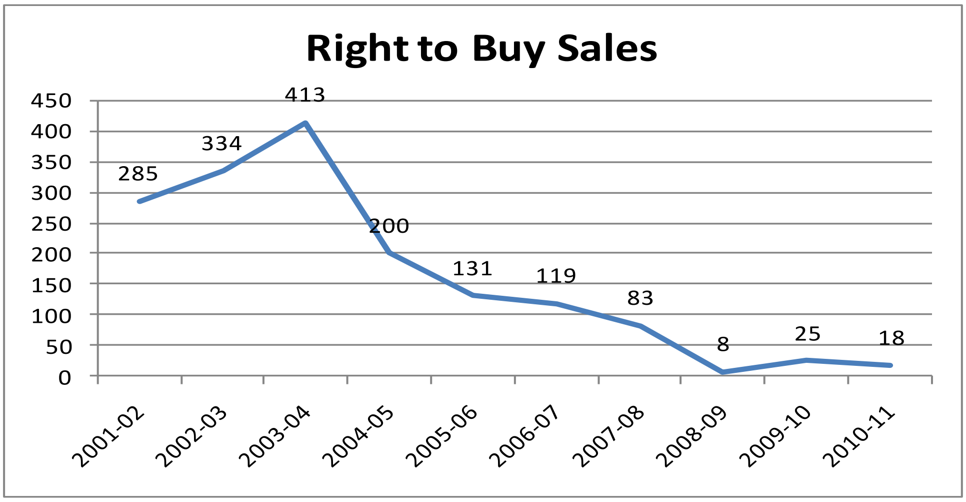
55% of Derby's HRA stock contains less than 3 bedrooms and 45% are family sized units (3+ bedrooms), however only 130 (1%) have four or more bedrooms.



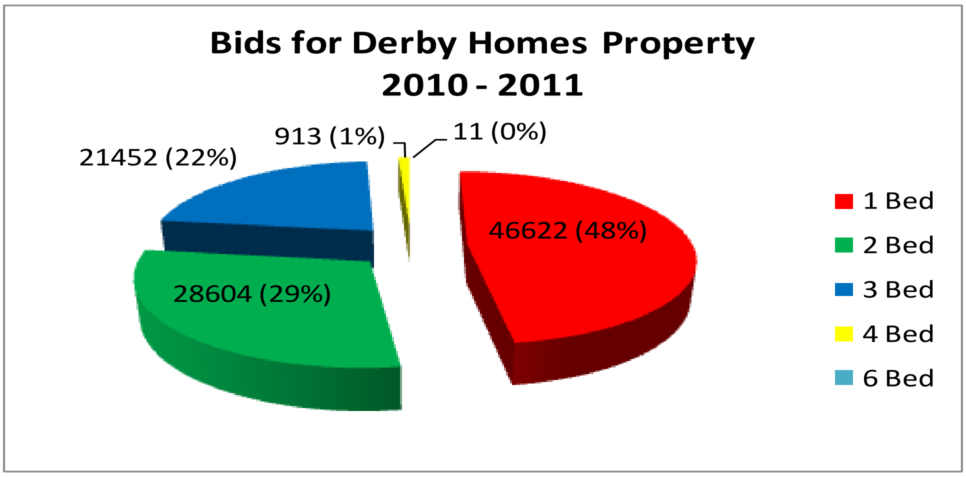
At its peak Derby City Council housing stock comprised of 24,476 properties. Since 1981 the council has lost 56% of its homes through 'Right to Buy' and other disposals with the figure reducing from 24,476 in 1981 to 13,588 in 2011. Of this total, only 48% of houses and bungalows have been retained, whereas the Council still owns 86% of its flats.



Under Right to Buy a total of 18 properties were sold in 2010/11, 25 were sold in 2009/10 and 8 were sold in 2008/09. Numbers are already 24 (to mid November) in 2011/12, and are likely to rise further once new rules are set by the government. At the moment the plan assumes an increase to 60 a year. A considerably larger increase would require the plan to be reconsidered.

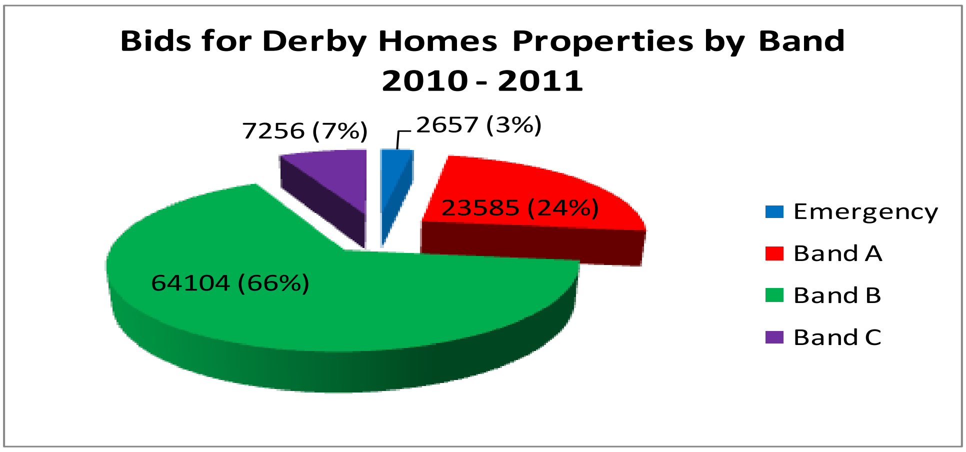


The demand for social housing is evidenced by over 7,000 households, including existing Council tenants seeking to move, on the Housing Register at the end of March 2011.



Between April 2010 and March 2011, there were a total of 97,602 bids on Council properties. Of these over 70% were for 1 and 2 bedroom properties. 52% of bids were for flats, maisonettes, bedsits and apartments and only 43% for houses.

Over half of those were assessed as non urgent need to move (Band B).



3. Governance and Tenant Empowerment

3.1 The HRA is controlled by Derby City Council, with Derby Homes integral to the delivery of the HRABP. Formal governance of the HRA therefore rests with the Council in terms of approving this plan, setting rents and service charges and approving the capital programme and treasury management arrangements. Derby Homes has considerable delegated authority to deliver those plans.

3.2 Derby City Council and Derby Homes have agreed to hold regular meetings of the HRA Strategic Partnership Board, HRASPB, to agree the principles of this plan and to concentrate on strategic issues that affect the HRA. Derby Homes' Executive Team also meets regularly with the Adults Health and Housing Department Leadership Team to discuss more detailed matters.

3.3 Service delivery is monitored by the Council through the approval and tracking of performance by Derby Homes within the Delivery Plan agreed by the Council – current version approved in June 2011.

3.4 Resident involvement is primarily about working alongside tenants in order to obtain value for money for the HRA by listening to tenants' feedback about our service so that performance is continuously improved. It therefore helps to increase both accountability and value for money.

3.5 The Tenant Services Authority (TSA) requires local 'co-regulation' where tenants and the landlords work together within a framework set by the national regulator. This recognises the huge variation in local conditions and means that there is much more emphasis on locally derived standards from tenants driving continuous improvement of the service.

3.6 The new arrangements involve the production of Local Offers (see Appendix 2) and an Annual Report to Tenants which details performance against these offers.

3.7 The TSA is scheduled to be abolished in 2012, with national regulation being taken over by the Homes and Communities Agency (HCA) who will only get involved where a landlord's co-regulatory relationship with its tenants breaks down.

3.8 Tenants make up one third of the Board of Derby Homes, and also have a considerable presence on the Derby Homes City Board.

3.9 Tenants also attend the Building on Excellence, Value for Money Steering Group and Derby Homes Environmental Renewable Energy (DHERE). Quarterly Housing Focus Groups of tenants and leaseholders meet across the city to discuss housing services. In addition, there is a wide range of forums that give tenants and leaseholders the opportunity to comment and influence policies and practices. These include a scrutiny group set up to regulate the tenants services provided by Derby Homes, as well as the Derby Association of Community Partners who are the tenants' federation and provide feedback from tenants and leaseholders. They also include specific groups dealing with issues from minority ethnic and disability points of view. Tenants from the DACP also attend peer reviews to assess our services against other organisations and conduct Mystery Shops, Customer Journey and Void Inspections. They report their findings to the City Board on a quarterly basis.

3.10 Tenant conferences are also held to get specific feedback on issues. Derby City Council and Derby Homes are working with OSCAR (Osmaston Community Association of Residents) on the potential for redevelopment of Osmaston. We also hold regular consultations on the budget and are beginning to use social networking sites (Facebook,Twitter) to communicate with tenants alongside established methods.

3.11 The Community Initiatives Team also work with tenants to get them involved in local initiatives as volunteers, and interventions in local community issues.

4. Asset Management

4.1.1 Asset management is crucial to the future of council housing. Providing and maintaining all homes to a standard that is adequate and that people want to live in are the core service that the council provides to its tenants. Since the provision of £97m of additional funding between 2002 and 2006 for the purposes of clearing the considerable backlog of works that had arisen at that point, the extent of inadequate standards is much less than it was. Funding under the subsidy system was much reduced after 2006 and has been adequate only because of the additional ALMO subsidy funding that was available until 2011. However, under the subsidy system, there remains a deficit against future needs measured by a stock condition survey in 2009 in excess of £250m. Under the reform of the HRA, the funding implied within the settlement for long term maintenance has been increased by around 40% or £3m a year. While this will not provide for the whole of the stock condition survey work, it should prove to be adequate to maintain the homes properly for a considerable time, as long as rental income is raised as implied by the settlement – that is to convergence within 4 years, meaning real term increases of 12% over that period. This additional funding should now be sufficient to maintain homes to the standards set out below.

4.1.2 It is important that the stock is managed intelligently, to ensure our estates are sustainable and supporting stock renewal. There are examples where selective demolition or individual property disposals can benefit the overall portfolio of assets by adopting a stock rationalisation approach.

Examples might include:

- Disposing of stock that have high maintenance costs and possible issues with demand, and invest any receipts in either the existing stock or in the provision of new homes. For example the ‘Derbyshire’ blocks and out dated sheltered blocks (Rodney House, Sancroft Court).
- Disposing of stock when it becomes vacant to increase tenure diversification in an area, again re-investing the receipts in an appropriate way.
- Building new homes to regenerate areas for example Osmaston.
- Considering Council owned garage sites for new development of HRA housing.

4.2 Maintenance Standards

4.2.1 The additional funding would allow the following average cycle of replacements to be supported in the long term – please note that this does not equate to all items being replaced at that age as some will require earlier replacement, so it might be expected that the 'normal' life could be up to 10% longer than these averages:

Kitchens	20 years
Bathrooms	25 years
Windows and Doors	30 years
Boiler	13 years
Heating distribution System	26 years
Roofing	60 years
Wiring	40 years
Aids and Adaptations	£700,000 a year

4.3 Investment priorities

4.3.1 Investment priorities have changed significantly over the past eight years.

4.3.2 In 2002 the investment backlog in the housing stock stood at over £90m, this was eliminated by the Decent home investment.

4.3.3 Since the completion of the Decent Homes programme, the focus has been on replacing old worn out components across pre-war estates whilst at the same time completing a programme to fit Upvc double glazing across the stock and replacement heating systems.

4.3.4 The ninth Investment Conference in July gave an opportunity to consult with tenants and leaseholders on investment priorities under the new funding arrangements. These were supplemented by an open invitation to tenants to submit their views on this issue. It is clear that a robust plan is needed to maintain the stock to a high standard, ensuring the viability of the business plan and confidence that the housing stock will remain 'in demand' to secure the rental income. The outcome of that consultation was that the standards set out above are generally supported by tenants. Indeed, they tie up very well with tenants' choices within the funds available. There was only one difference – with tenants suggesting a replacement cycle of 30 years for wiring. The difference in cost is £250,000 a year – the element of discretion referred to in the introduction – so it is proposed to consult further with tenants about their priorities for that money.

4.3.5 A detailed five year investment plan is set out below. This plan will enable the following:

- completion of replacement kitchen and bathroom work to all pre-war Homes
- completion of the Upvc window programme
- continuation of the programme to improve the energy efficiency of homes, insulating any uninsulated walls and lofts, providing modern efficient heating systems to all homes and installing solar panels to as many homes as we possibly can utilising external funding incentives while the business case continues to support the investment.
- maintaining a healthy programme of specialist equipment renewal, such as door entry systems, smoke alarms and lifts.
- The following programme is proposed for the next five years for the core of the programme. This is substantially lower than previous years as the majority of programmes have been completed or are nearing completion. The major bulge in work will be for kitchens and bathrooms in around 15 to 20 years time as Home Pride work (2002-6) needs replacing. For the next few years, therefore, significantly lower capital will be necessary.

HOUSING CAPITAL PROGRAMME

	2012/13 DRAFT **£000**	**2013/14** DRAFT **£000**	**2014/15** DRAFT **£000**	**2015/16** DRAFT **£000**	**2016/17** DRAFT **£000**
Debt settlement	29,493				
Kitchens & bathrooms	2,350	2,350	2,350	2,350	2,000
Major refurbishment	500	500	500	500	500
Re-roofing	300	1,000	1,000	1,000	1,000
Windows & doors	1,500	1,000	1,000	1,000	1,000
Loft & cavity wall insulation	100	15	15	15	15
Solid wall insulation	400	0	0	0	0
Central heating replacement	1,800	1,800	1,800	1,800	1,800
Rewiring	250	250	250	250	250
Communal door entry systems	50	50	50	50	50
Lift replacement	50	50	50	50	50
Capitalised salaries	400	410	420	430	430
Exceptional extensive	0	649	665	681	698
Contingency / balance	580	644	453	329	513
Inflation allowance	0	400	800	1200	1600
Adaptations for disabled people	742	763	785	808	832
Estates Pride	1,330	631	0	0	0

Key projects	2,610	0	6,000	0	0
RTB replacement element	1013	1082	1109	1137	1166
HRA (ex settlement)	**13,975**	**11,594**	**17,247**	**11,600**	**11,904**
Financing:					
Revenue funding	0	0	4,262	933	1,023
Borrowing – settlement	29,493				
Borrowing – further	2,898	1,226	0	0	0
RTB receipts – debt element	421	332	244	222	199
Extra care funding?			2,500		
Govt RTB replacement funds?		216	222	227	233
MRR / depreciation	10,656	9,820	10,019	10,218	10,449
Total (ex settlement)	**13,975**	**11,594**	**17,247**	**11,600**	**11,904**

4.3.6 The new element is a potential new build programme, which has been divided into two parts – a partial Right to Buy replacement programme and a key projects programme. The government's proposals relating to the Right to Buy make this element hard to quantify, as the detailed rules have not yet been published nor consulted upon. At this stage therefore the figures are highly reliant on such detail. It may be therefore that more or less building might finally be possible than has been assumed at this stage – 10 properties a year to replace 60 losses are assumed for this version of the plan, starting in two years time once plans have been drawn up and progressed. It should be stressed that many assumptions about the new scheme have been made and any final decision on this programme will have to study the detailed proposals more carefully first. The commitment to at least cover the debt loss first of any increase in RTB sales is welcome, although retention of all the receipts locally with a commitment to new build would be far preferable.

4.3.7 The key projects will also require formal approval of other funding and detailed approvals, so are similarly at an early stage of development. The reason for their inclusion as an outline programme without formal approval is that both would use up considerable portions of the debt cap and this element of the plan needs to be understood as part of overall long term planning. Their inclusion does not mean that the Council is as yet committed to the projects, but sets aside borrowing capacity for their potential inclusion once details have been agreed. Should projects not be approved that would open up possible debt capacity for other projects. In effect, the HRA is being rationed in terms of capital investment and this area will need to be considered in more detail as the new system develops.

4.3.8 At this stage, the outline plan for key projects would be to undertake a couple of projects of between £1m to £1.5m each in the first couple of years and then possibly use a large portion of the remaining debt capacity on an extra care scheme if this remains a Council priority. More detailed plans will be considered as individual projects are worked through.

4.4 Estate improvements and community sustainability

4.4.1 The Council and Derby Homes have developed a successful estates improvement programme, known as Estates Pride, which has allowed Housing Focus Groups and the City Board working with staff to approve:

- small scale local initiatives agreed by the Housing Focus Groups
- a programme of estate improvements such as ‘Quick Wins’ to improve estate design and reduce anti social behaviour and vandalism, and large scale estate improvement schemes such as improvements to play areas, installation of recycling bin areas to estates of flats, and improvements to estate appearance through new fencing and redesign of communal areas.
- support for community sustainability programmes such as Neighbourhood Management initiatives, youth intervention through Enthusiasm and the Youth Service, Junior Warden scheme, the Family Intervention Project
- An underoccupation scheme to replace the funding that previously gave an incentive to tenants underoccupying property to move out.

4.4.2 The HRA Business plan aims to continue this work, and balance the benefits of such work with the needs for management and maintenance spend, new build costs and other calls on the funds of the HRA. In future years planned spend on this area of work could be around £725,000 a year – broadly the level currently spent on these items now. This plan suggests reducing the family intervention project to £50,000 a year from the £200,000 a year that the current project costs to run, but that has no ongoing funding. The hope remains that some form of government funding or public health funding might be available to sustain the service beyond 2013. In the meantime, Derby Homes are proposing to fund the balance of the budgeted requirement in 2012/13 from their funds to see if such funding materialises.

4.4.3 In addition to the core services and components of homes, it is crucial that adequate funding is set aside for external long term maintenance. These are works such as external painting, fencing, gutters/fascias and paths. These have often had to be scaled back in previous years in response to funding reductions. The intention here is to set out a programme that could address these issues on a long term basis, with an aim of external painting programmes and other minor improvements that work on a cycle of around 5 years. The intention is to have a combined cyclical maintenance and fencing programme that could total around £1.5m a year which should provide sufficient funding for adequate maintenance into the future

4.4.4 In addition to this funding, there is a balance of £250,000 a year as a result of the 40 year standard on wiring. At the moment – subject to tenant consultation - it is proposed that rear fencing could be a use for this funding and make a significant difference over time to our tenants. At the moment, rear fencing – unless next to a road or alleyway – is treated as tenants' responsibility. Clearly this would still take a considerable time to complete, but it is suggested that a programme could be trialled to gauge its impact. The intention would be to consult with tenants at a street level in order to agree works that are necessary and roll out a programme over time where such works are wanted by tenants. It will take many years to complete such a programme, so some form of prioritisation process will need to be agreed and tenants consulted before a programme is started.

4.5 New Build and Regeneration of estates

4.5.1 Derby City Council and Derby Homes submitted a joint bid for Homes and Community Agency (HCA) funding towards a development of new homes for the HRA as part of a wider redevelopment opportunity, targeted on Osmaston, utilising the Glossop Street and Rolls Royce (R-R) development sites, but unfortunately were unsuccessful as the required grant of £29,500 per home was deemed insufficient value for money. Discussions are continuing with the HCA on this issue, but it would appear that this decision leaves development needing to be funded in other ways without grant.

4.5.2 There are potentially some funds for a limited programme of new build to be considered. These would be funded from within the remaining debt cap plus any HRA revenue reserves. It would be imprudent to commit all such funds, but as long as around 5% of the debt cap (£12m) was available between these two sources – preferably in revenue – then the balance could be considered as potentially 'available' for investment. As such funds will inevitably be limited, it is vital that additional income is sought to supplement funds available. Over time as debt is repaid, it can be re-borrowed, so this is one source of potential future funds. It is also the case that where grant can be attracted to a project this will stretch numbers further.

4.5.3 An area of policy that needs to be clarified is the treatment of capital receipts for housing. There are two types of receipt – housing land (which includes void properties) and right to buy receipts. The current policy of the Council on right to buy receipts is that, following HRA reform next year, the first call on receipts will be to pay off the initial debt per property of £17,650. The next call will be to support Disabled Facilities Grants up to 25% of the receipt and any balance would then be applied to the HRA. The current policy on housing land is that 50% of any receipts would be set aside for reinvestment in housing through the facilitation fund which is then normally invested in new RSL properties and the other 50% is applied to regeneration activities of the Council. The Council is under an obligation to demonstrate that it recycles all the receipts into housing or regeneration if it wishes to retain any receipts.

4.5.4 It is proposed that the Council reviews the policy on disposal of housing land. The government is currently reviewing their policy on Right to Buy receipts, and it will be important that the final Council policy follows that policy in its treatment. At this stage it is anticipated that this will be as follows:

4.5.5 First, to pay to the government its assumed level of receipts under the settlement. This is anticipated to be between £1m (12/13) and £1.425m (15/16 onwards), and represents 75% of the anticipated net receipts at the level assumed in the settlement. Similarly it is anticipated that the Disabled Facilities Grant element of 25% would also be funded from receipts up to this level. As a result, it would be expected that DFG receipts might be around £300k a year initially, and might rise if sales increase.

4.5.6 It will be critical that the first call as a result of any disposal of land or property within the HRA above this assumed level will have to be to reduce the debt outstanding of £17,650 a home. Without this, debt per property will increase and become unsustainable. The government have recognised this as the first call on receipts above the anticipated level in their initial proposals.

4.5.7 The formal policy on RTB receipts could be changed so that they are applied as follows:

first – the matching element relating to the government's policy on receipts would be used for Disabled Facilities Grants, DFGs as now. The government has assumed a level of receipts of 25 a year increasing to 35 a year over time. The equivalent receipts income would be the first call on all receipts, as this amount has been assumed in the settlement. This amount is estimated at an initial £1.365m which would be split 75% government and 25% DFGs.

Then – above that level **-** £17,650 per property applied to the Major Repairs Reserve (MRR) of the HRA which can only be spent on reducing debt or capital investment in the HRA.

The destination of any receipts above these levels – particularly should there be an increase in RTB numbers – is subject to a government consultation, and it is hoped that this will result in either local retention of receipts or at least the ability to take up such receipts where promises of replacement properties can be fulfilled using such additional resources. Clearly if this is the case, then any such funds would have to be set aside specifically for this purpose.

This policy may need further realignment with government policy depending on the outcome of that particular consultation process, and as a consequence cannot be firmly established at the moment.

4.5.8 Overall these policies should maintain and increase the current funding for DFGs – it would only fall it sales receipts were very low. They could also possibly create a fund to subsidise future HRA property development if numbers of sales increase substantially, although it appears at this stage that the arrangements – given the debt cap in particular – might not be sufficiently generous to enable full replacement of losses. Again the detail will have to be reconsidered later.

4.5.9 While the potential level of development will not be spectacular, the plan should mean that the HRA has an ability to sustain a limited programme and begin to renew and replace stock and to create new properties over time. As debt reduces in future, this ability will increase over time. The current plan indicates increasing scope to do this after the first few years. Clearly this will require regular review as the new system settles down and progresses.

4.5.10 Projects will need to be considered further in detail before being formally approved by the Council.

4.5.11 The plans may be affected by Right to Buy rules depending on any detailed proposals from the government on this issue. It is hoped that some element of any increased RTB income will be kept within the HRA rather than passed to central government for distribution through the HCA as currently happens.

4.5.12 The overall plans at this stage therefore include a few possible developments which will require specific approval by the Council once a business case has been developed. The indicative programme attached means that the plan sets aside an initial sum to enable such detailed plans to be drawn up with a reasonable amount of confidence that sufficient funds would be available within the debt cap to allow such approvals to be given.

4.6 Climate Change

4.6.1 The Council is committed to reducing its carbon footprint and this includes council housing.

4.6.2 As fuel prices increase it is important that our customers are able to afford to live comfortably in the homes we manage.

4.6.3 There are a number of areas that we need to address to cut running costs and reduce emissions from council housing these include:

- Improving the thermal efficiency of homes

Much of this work has been carried out in the past, all homes have benefitted from loft insulation and cavity wall insulation and most have had solid walls insulated in the past too. We are currently identifying any homes that still need this work and are tapping into external funding through the Community Energy Saving Programme (CESP) to carry out the work. All homes will have the benefit of wall and loft insulation by the end of 2012. In addition all homes will have double glazing fitted by 2013 funded through an existing programme.

- Improve the performance of the heating systems used to heat homes

We have been fitting energy efficient gas condensing boilers for over 12 years and the majority of the homes have these types of heating system, we are using the CESP funding to complete the renewal of any old, inefficient boilers in certain parts of the City. It is important that the new plan is able to support the renewal of these systems. Modern efficient boilers have a limited lifespan and need to be replaced every 10-15 years to avoid hefty repair liabilities.

We have piloted other heating solutions on our new build schemes and are yet to be convinced that the new technology is able to provide a cost effective practical solution to gas central heating.

- Help reduce the use of energy by encouraging changes in behaviour

It is important that we do all we can to encourage tenants to make small changes to their behaviour to control the amount of energy used. Simple tips like switching lights off to detailed advice on how to get the most out of solar panels makes a real difference to fuel bills, doing all we can to help tenants cope with the ever increasing costs of fuel.

- Installing renewable energy solutions like solar panels to help supplement the energy used in the home

4.7 Installation of Solar Panels

4.7.1 The Council has determined that – while the generation tariff is set at its current levels of 43.3p per KWh – it would be able to install solar panels on some of its homes. There are two major constraints on this policy – availability of borrowing capacity under the new system and physical capacity to deliver and install before the new much lower generation tariff applies on 13 December. The further reduced level of 16.8p after April 2012 is likely to mean that no further installations will be financially viable. In the meantime, there is a limited time when 21p a KWh is available, which means that projects will recover costs in about 23 years rather than the 12 to 15 under the higher tariff. It is therefore proposed that the programme of a maximum of £7m this year that has already been approved continues, but that these are likely to be the last systems that are able to be financed within the debt cap.

This is subject to a specific business case being approved by Council finance officers.

4.8 Repairs Standards

4.8.1 There will always be a need to carry out responsive maintenance work. Components require attention through general wear and tear or the failure of specific parts. We currently spend £4 million a year on day to day repairs and £2.4 million a year on works to re-let empty Council homes. Derby Homes merged with the Council's Environmental Services department on 1st June 2010 to form the Derby Homes Repairs Team. Following this, all working practices are being reviewed.

4.8.2 Our Vision is: 'Delivering a World Class Customer Focussed Service'

4.8.3 In broad terms our service standards are:

- To provide a reliable appointment based Day to Day repair service delivered right first time.
- To turn around all empty homes in a timely manner ensuring all homes are safe , clean and in a decent state of repair
- To provide a value for money service, always seeking out efficiency savings to support the quality of the service
- To ensure customers feel they have received an excellent service across all areas

4.8.4 We have not noticed a reduction in demand for repairs following the decent home investment. This is a trend that is being found in other ALMOs. Further analysis is being carried out to identify repair demand across the city and this information will be used to inform different approaches. We are also noticing an increase in the number of homes becoming vacant by about 5% per year, if this trend continues we will require additional resources to fund the work required when the home is empty. This in turn would reduce the funding available for capital spending.

4.8.5 Cyclical maintenance work forms a core basis for our maintenance activities. The 'repairs prior to painting' programme gives us the opportunity to carry out a range of external maintenance work to the housing stock on a periodic basis. We are also planning internal inspections at the same time, to identify and carry out internal repairs in a planned, cost effective way. We have shifted from a five year programme to one spread over eight years, as a result of the extra work undertaken through the replacement window programme. It is our intention to revert back to a five year programme for this work once the window programme is complete in 2012.

4.8.6 We have set up our own in-house team to service and repair gas appliances, adapting to ever changing gas regulations. We are now servicing appliances on an 11 month cycle to be confident that in the majority of cases the service is carried out before the expiry of the current safety certificate. We have also established an electrical inspection team, who carry out periodic inspections to all homes.

4.8.7 The Council provides resources for repairs through the HRA. This is under considerable pressure to provide adequate resources for us to deliver services and needs to keep pace with increases in building costs and the increased number of new gas appliances.

4.8.8 We have worked hard to contain expenditure within the Repair Account. Costs have been contained in the short term through reductions in the amount spent on cyclical maintenance and identifying efficiency improvements through the Repairs team. This will need to continue into the future as the HRA plan projects continuing pressure on repairs spending, favouring investment in major repair works which have a longer term benefit for our tenants. Our action plan for reducing cost and improving efficiency includes the following:

- Seeking out efficiencies through the supply chain, examples of this include changes in materials suppliers saving over £250k per year so far.
- Renewing the fleet of vehicles, with modern racking systems and imprest stock. This will increase the productivity of our workforce by an estimated 15%. At the same time we are reducing the number of vehicles by teaming the workforce in certain areas of the service. This should also reduce fuel consumption. In addition, we are moving from a leased to a purchased solution for the fleet, requiring a longer life span between replacements of seven years rather than five.
- Investing in new IT systems to help us to deliver the service more efficiently, we are installing a new works system to support all work delivered through the Repair team. In addition we are moving to the National Federation of Housing Associations' schedule of rates to enable better job costing and have the ability to benchmark our value with others.
- We will continue to work closely with customers to drive down the costs of repairs over time with a full understanding of service standards.

5. Rent Policy

5.1 Rental policy will in future be a matter for the Council in consultation with tenants, with the final rents set in March each year by the Council. However, the generation of higher rents than currently set – that is a level based on convergence of rents to Housing Association levels by 2015/16 – is built into the debt settlement. Without generating the additional rent implied by the settlement – which is on average 12% above inflation spread over the next four years, the funds to invest into the stock assumed in the asset management section would reduce very sharply – for every 1% less rent generated around £500,000 a year permanent reduction in spending would be required. It is critical that the maximum rental income be generated in order to maximise the ability to maintain Council homes into the future and support other plans within the HRA.

5.2 Rent will in future continue to be constrained by the 'limit rent' - that is the level of rent that the DWP is prepared to allow Councils to impose without suffering a penalty. Rents can be set higher than this but in effect will generate income for the HRA solely from self funders and in effect will raise no further funding from housing benefit as the DWP 'clawback' the excess rent above limit rent. The limit rent will converge with the target rent in 2015/16.

5.3 At the moment, average council housing rents per week in Derby are as follows:

Actual	£63.24
Limit	£66.54
Target	£69.74

5.4 The settlement therefore implies that actual rents have to move to the target rent over the next four years – about £1.65 (2.6%) a week increase over and above the increase in target rent of September's RPI of 5.6%plus 0.5%. This would total about 8.3% average rent increase next year.

5.5 The rental policy needs to be considered over the four year period and set in order to enable stability in planning expenditure on maintenance of council homes.

5.6 It is recommended that the Council sustains its current policy with regard to rent setting – that is to increase rents in line with the government's assumptions in the HRA settlement of converging rents by 2015/16, with individual rents being capped at RPI+0.5%+£2 a week. Even though rents will increase in real terms, rents will also continue to remain below those charged by other social landlords until at least 2015/16. While the rent increases are above inflation, they are well below market levels. In addition, the rental increase is translating into resources that will remain at a local level rather than being transferred to central government.

5.7 In general it is proposed that there will be only an RPI level of increase relating to service charges as these need to reflect the cost of providing that service. Some service charges will need to be updated to reflect costs better. This is likely to result in an increase in charges for concierge services but a freeze in charges for furniture packs next year. Derby Homes will make more detailed proposals to the Council on service charges for 2012/13 for approval by the Council in March as normal.

5.8 The government's proposed changes to Housing Benefit could have a major impact on the rents able to be recovered – in particular there are well over 1000 tenants who are – according to the draft new benefit rules – 'underoccupying' homes in terms of numbers of bedrooms. In future, housing benefit will be reduced for these tenants and there may well be an increase in rental arrears and ultimately bad debts as a result. The plan – while it recognises this as an issue and the bad debt has been increased – cannot sustain huge losses of rental income. As such there is a need for a significant expansion of the work undertaken with tenants in dealing with this and other benefit issues. It is therefore proposed that the HRA funds a greater share of the Derby Advice team than it currently does and that this team focuses its work primarily on HRA tenants with a view to reducing this pressure. Additional costs of £300,000 a year have been factored into the plan to allow for this shift in workload. It is hoped that this significant increase will enable a clear focus on HRA tenants and their ability to sustain their tenancies after benefit changes.

6. Debt and Treasury Management

6.1 The HRA currently has two levels of debt – the actual debt of £189m and a higher one of £207m notionally held in the subsidy system – this is the government's estimate of what debt the Council should be holding. In reaching a settlement the government has calculated a figure of £237.933m of debt that can be sustained within rental income - which means that it will be billing the Council for £29.5m - being the difference between what it believes we should be holding and what it now believes we are capable of supporting.

6.2 The government will also impose a debt cap on the HRA which the Council has requested should be increased by £2m to cover the debts raised by the HRA relating to its new build activity over the last couple of years. It is therefore anticipated that the debt cap should just under £240m.

6.3 Consultation carried out by CIPFA earlier this year indicated that Councils should arrange their debt into two separate pools relating to the HRA and the General Fund so that they can be managed within their own contexts. This is likely to mean that HRA borrowing would be undertaken separately in future but this would not automatically result in external borrowing. In many circumstances the HRA and General Fund will be better off by lending to each other internally within the Council rather than externally. Any restructuring of debt would then not result in charges from an external lender. This form of 'internal' lending would be at the equivalent PWLB cost to the HRA so in terms of costs would be identical to borrowing externally but the general fund would be able to manage the overall debt of the Council without incurring additional costs for either the HRA or the general fund. A protocol to support this sort of internal Council arrangement is attached at Appendix 3.

6.4 In general, this plan sets out to restrain spending to stay within a limit of a minimum of £12m (5% of the debt cap) between the amount below the debt cap – borrowing capacity - and revenue reserves – which are more flexible resources that can be deployed on capital or revenue spending. This will allow for any external risks moving against the plan – such as higher bad debts, higher interest rates, higher right to buys and other risks.

6.5 The current plan's debt should peak at around £234m and then fall gently as a result of the future need to replace Homes Pride investments between 10 and 25 years from now, and only moving back below £200m in about 10 years time. Over 30 years the debt is not anticipated to be fully repaid, as would occur in a stock transfer plan, but it is anticipated that there should still be a significant reduction in debt over time. Final debt after 30 years in this version would be well under £100m, but in reality it is likely that further development would be pursued if debt fell to such a level, depending on the situation at the time.

7. Housing Management Standards

7.1 There is a strong link between housing management and efficient asset management. In narrow funding terms, if the costs of housing management can be reduced, then this releases funds that can be spent on the maintenance of the homes and estates. However reduction in housing management could have a detrimental impact on asset management, for example:

- Allocations of properties to some tenants with a record of neglect of their home
- Inadequate monitoring of tenancy conditions and anti social behaviour leading to neglect of properties and vandalism by some tenants

- Low collection of rents and arrears resulting in a reduction of income into the HRA

- High concentrations of deprivation can lead to some estates and blocks of flats suffering a high turnover in tenants, on some estates and blocks of flats, with increased costs to void properties and increased need to spend money on anti social behaviour and other staff

7.2 The HRA Business Plan needs to be sensitive to demographic changes and the mismatch of supply and demand for council housing. There is a need to provide for the growing numbers of elderly, many of whom occupy family sized council houses. Funding to support moving such under occupation can help meet the needs of both elderly and free up houses for families.

7.3 There is a comprehensive range of housing management standards which include key service performance standards jointly agreed with the Council each year, specific customer service standards and most importantly 23 local offers (Appendix 2) which were set by our tenants and leaseholders. In addition, Derby Homes is regulated by the Tenant Services Authority as a Registered Provider of social housing.

7.4 Derby Homes is committed to achieving continuous improvement against service standards whilst working within a Business Transformation agenda. Linking with the customer service strategy, there is an ongoing service access review which seeks to shift access to services through the most economical routes whilst still providing excellent standards of customer service.

7.5 Derby Homes has implemented significant improvements to the website and are evidencing an increasing number of customers registered on the site and accessing services through this route. Further improvements to the site will see increased options for customers to initiate enquiries on a wider range of services. Through the implementation of improved information technology we are improving communication with tenants through the use of SMS and social media networks which will increase feedback on our services.

7.6 A new contact point has been established in the city centre at the Council's Corporate Customer Service Centre and this will form the basis for greater collaboration and shared service provision from the refurbished Council House from 2013.

7.7 Derby Homes will continue to operate Housing Management Services on a geographic basis and increase our involvement in neighbourhood and partnership working to achieve greater levels of sustainability on our estates and enable successful and stable communities.

7.8 Derby Homes continues to invest resources in non-core activities of community development. The successful Junior Warden scheme operates in six areas of the city and is proving successful in increasing the involvement of younger people in our services and developing more community pride and ownership amongst the younger generation. Working with other third sector groups our community initiatives team have enabled the redevelopment of community facilities in the most deprived areas of the city.

7.9 The management of empty properties and income collection is a high priority as the HRABP relies on maximising income. Allocations and voids teams have been integrated to achieve more efficient working processes and there are further work streams in progress to increase numbers of ‘back to back’ lettings and the possibility of daily rather than weekly rents to further minimise void rent loss.

7.10 A review of the income management team has created a flat structure team with generic posts which will enable greater flexibility within the team and increase our ability to respond to challenges presented by welfare benefit changes. Introducing work scheduling software which would integrate with our housing management system to ensure a fair allocation of workloads within the team and increase our ability to undertake quality output monitoring and trend analysis is also being actively considered.

7.11 Analysis of the current customer base is underway to enable us to better forecast levels of under-occupation within the stock and develop strategies to manage the impact of benefit changes affecting tenants in these circumstances.

8. Value for Money Strategy

8.1 Council housing remains good value for money overall. It is cheaper than most if not all alternatives and is likely to remain the cheapest option for somewhere decent to live. Standards are applied in construction, maintenance and management that are higher than most other landlords although the housing stock is generally now older than most Housing Associations.

8.2 Within the HRA, the Council has determined that the current balance of management and maintenance costs did not reflect its priorities and Derby Homes have agreed to reduce its management fee in real terms by £1m over four years as part of its transformation programme to drive down costs with the minimum impact on services to tenants. At the moment, the transformation programme is on track, with £315,000 savings delivered in 2011/12 and a further £411,000 expected next year. Plans are in place to deliver the balance of the target by the end of the four year plan. In addition, a further £1m of efficiencies within repairs and capital are being planned to be reinvested as they arise to make the existing budgets stretch further.

8.3 Changes to management arrangements continue to be implemented as part of the transformation of Derby Homes, resulting in lower overall costs and more efficient working. Mobile working continues to be extended in particular wherever possible, using area offices as hubs for hot desks.

8.4 The move to the Council House in 2013 is anticipated to further reduce overall costs as Derby Homes moves out of its current rented headquarters. Derby Homes' use of the London Road depot is anticipated to increase as a consequence.

9. **Risk**

9.1 A risk register for the HRA under the new arrangements has been drawn up and is attached at Appendix 4. This indicates that there are a number of considerably sized risks that could impact on HRA plans. The key ones are:

- That rental income does not keep pace with the expected levels of increase set out in the settlement and this plan
- That bad debts increase as a result of universal credit
- That interest rates rise considerably
- That right to buy numbers increase above the expected levels, which – without the receipts being fully reinvested - would mean a loss of income not matched by a loss of costs.
- That void numbers increase in future
- That the stock is not adequately maintained to a lettable standard
- That business planning is not effective
- That customer profiling is inadequate to enable flexibility in the approach to rents and reasons for leaving to be understood.
- That HRABP focuses on assets management to the detriment of broader priorites, such as environmental improvements and community initiatives
- That economic decline leads to reduction in income of tenants, and reduction in services provided by all agencies on housing estates, resulting in increased deprivation and reduced rental income and increased management and maintenance costs

These are all being mitigated as far as possible within the actions set out in the risk register.

10 Financial Plan

10.1 The Council is in the fortunate position of starting the reform period £18m below the debt cap, with a housing stock that is in a reasonable state and having relatively few backlog issues. In addition, rents are lower than equivalent housing association rents and will need to increase in real terms to meet the overall rent convergence criteria.

10.2 As a result, and with the Council's borrowing being relatively low cost at under 5% on the historic debt, the Council should be able to service its debt, maintain homes to the standards indicated in section 4, and provide services at broadly the current level once the period of business transformation and efficiencies currently being undertaken has concluded over the next three years. The future should then be reasonably stable as long as the major risks do not materialise. Indeed over time the debt should be able to be reduced in absolute terms albeit slowly at first. As a result, there should be scope for further investment into the stock and / or new stock.

10.3 The financial plan is attached at Appendix 5. It profiles the future debt and operating account for the HRA.

10.4 The plan includes the following developments:

- An increased level of funding for major works as described under maintenance standards above – properly funding the long term needs of the housing stock for the future – in particular setting aside funding for the future replacement of Kitchens and Bathrooms renewed under Homes Pride in 2002-6, which would not have been possible under the previous financial system.

- The impact of the additional income, raised as a consequence of investing up to £7m in new Solar panels during 2011/12. The reduction in generation tariffs next year, combined with the debt cap on the HRA, means that this programme cannot be fully rolled out to all other properties, even though it might make sense in a number of further Council homes.

- Maintaining total debt below the debt cap meaning lower levels of interest to be paid in future, and minimising the risk to the Council of a breach in that cap. The proposed restraint is that the total of remaining debt cap and revenue reserves should be at least 5% of the debt cap or £12m. This should provide financial stability against the major risks in the programme.

- Sustaining current programmes relating to community support (Neighbourhood working, Youth and Family Interventions)

- £0.9m more a year to be spent on enhancing cyclical maintenance of homes – mainly external painting and other external works which have been reduced in recent years.

- Greater funding for Derby Advice of £300,000 a year

- Introducing a new fund of £250,000 a year - to support a wider fencing programme to start to introduce new rear fencing for tenants where required, subject to consultation with tenants.

- It may be necessary to invest in a transitional fund to deal with reductions in Supporting People funding over the next couple of years, depending on the outcome of separate consultation by the Council into those services.

- Potential for further investment into new build or other capital projects, with much more potential after the first five years. The initial investment programme is expected to be at least £7m over three years, but will be dependent on detailed Right to Buy rules. Greater levels of investment might be possible after the first few years of the new system.

10.5 The plan indicates that debt should peak at around £234m in 2013/14. This would be £6m below the debt cap or 2.5%. The revenue reserves of the HRA are in the meantime set to fall from around £20m currently to around £3m by 2014/15. In reality, there should be an ability to retain slightly higher levels of revenue reserves by not repaying debt in 2014/15, enabling the Council to remain within the 5% target. Once the peak point for debt has been passed and the debt begins to fall, the potential for further investment becomes greater. Discussions on those options will need to be undertaken while the current plan is implemented.

10.6 Sensitivity analysis on the plan indicates that increases in interest rates of around 0.5% could be sustained, as can a limited increase in bad debts. As much of the debt is fixed long term this level of variance should be adequate, but will need to be monitored and agreed. The balance of 2% below the debt cap (and £12m overall) gives a level of confidence that the position can be sustained without recourse to future further overall real terms reductions in spending.

10.7 There is, however, a real concern about proposed changes to Right to Buy rules. The plan is predicated on a low level of sales – around 60 a year – an increase of about 50% on current sales levels. Should such sales rates increase markedly then the plan could need to be revised significantly. It is the case though that the debt would be repaid first, so as long as spending falls proportionately the overall policy should be sustainable – although there would be much greater pressure as a result if this were the case.

10.8 The plan as it currently stands can therefore support a limited new build replacement programme. Detailed work would need to be undertaken to plan out such developments and funding arrangements. Other developments that require HRA borrowing would also need to be balanced against these new builds, and the programme would therefore need to be reviewed to make sure that the plans remain affordable in the long term.

10.9 To conclude, as a result of reform, good management of HRA debt by the Council, and planned increases of rent to the converged level by 2016, this HRA business plan sets out to maintain a long term approach to Council Housing finances with adequate levels of investment to sustain the current housing stock. While risks remain, there are opportunities for the Council to set up funding arrangements which would enable the start of a long term plan to renew and refresh some Council housing through the selective use of receipts and any funding opportunities that arise. The core plan contains sufficient resources to sustain the proposed standards and fund them in the long term as long as the main risks – rent levels, arrears as a result of HB changes, Right to Buy – do not materialise beyond the limited levels expected within the plan.

Appendix 1

Government exposition of reforms

Summary of self-financing for tenants

Changes to how council housing finance is managed

The Government is proposing changes to the way it and your council share the cost of council housing. This document sets out what those changes will be. None of these changes affect your tenancy or the rent you pay.

Introduction

The Housing Revenue Account Subsidy System is the current system for managing the financing of council housing. Under this system, major financial decisions about council housing management are made by central Government and there is comparatively little control in the hands of councils. This makes it difficult for councils to plan for the long term to ensure that decisions about what and how services are delivered are linked directly to local needs.

The Government has committed to replacing the current system with a new arrangement that will enable councils to keep all the money they receive from rent and use it to maintain their homes. This means that council housing will be focused on what is needed locally and councils can make best use of their housing resources.

How is the current system working?

Under the current system – the Housing Revenue Account Subsidy, the Government calculates the spending needs of each local authority and compares it with their rental income. If a council's rental income falls short of its spending needs, the Government provides subsidy to make up the shortfall. If a council's rental income exceeds its spending needs, the excess is fed back into the subsidy system to help provide for those councils requiring subsidy. If any money is left over, it is returned to Government – this is increasingly the case as costs have been assumed to be fixed and rental income assumed to increase above inflation each year.

Why the Government wants to change this system

- The current system is complex and does not deliver sufficient funding for councils
- to manage and maintain their homes to a good standard
- It does not support tenant involvement in decisions about their homes
- and locality
- Councils can not undertake proper business planning due to the annual nature
- of the system
- The system assumes unrealistically low expenditure needs and so generates a large surplus for central government and accommodation that is not always adequately maintained.

Local authorities say, and the Government agrees, that every council is different and no two councils have the same needs. Services need to be right for each council.

Government wants a solution that will work for all and is fair to both tenant and taxpayer.
Government is therefore shifting power from the centre to councils through the new self financing system.

The objectives of the self-financing system

The objectives of self-financing are to:

- make the system more flexible and fair, giving councils the power to make the best use of their housing stock, in a way which best meets the needs of individualhouseholds in their local area
- enable tenants and local taxpayers to hold their landlord to account for the costand quality of their housing.

How will the new housing finance system be introduced?

The Government is changing the law to deliver this change from April 2012. The new Localism Bill contains provisions that will bring in the new self-financing system and abolish the current annual system.

How will the Self-financing system affect councils?

- Self-financing will affect the housing revenue account of the 171 councils, who have council housing stock, but will not impact on their general finances, or on other councils
- Implementing self-financing involves a reallocation of housing debt based on whether the valuation of each council's housing business is higher than their existing debt. Where the value is higher than the level of debt, the council willpay the difference to central government. Where it is lower, central government will pay the difference to the council
- Councils will only be asked to take on extra debt if their council housing will generate sufficient income to meet it after costs are met. The debt will not impact on what is delivered to you as tenants
- In order to ensure that the country does not get into any more debt than we can afford at least initially, councils will be given a limit to how much more money they can borrow (a borrowing cap)
- Her Majesty's Treasury have announced that the payment to government of 75 per cent of the net receipt from Right-to-buy sales will continue. This was a necessary decision taken during a difficult Spending Review. Local authorities will still keep 25 per cent of the receipt and 100 per cent of the receipt from other sales provided it is spent on new social housing, regeneration projects or paying off debt. The Department for Communities and Local Government has reduced the level of debt that local authorities will take on under self-financing by £862 million as compensation for the likely loss of rental income from Right-to-buy sales (based on historic sales patterns).

How will the Self-financing system affect you personally?

- You will benefit because self-financing provides the opportunity for business planning to be guided by local priorities, rather than central government rules
- You will benefit because councils will have more money to spend on council houses
- You will also be able to trace a clear connection between the rents charged locally and the service provided. Councils will publish annual, transparent information on charges and costs.

What won't change?

- Your rights as tenants – such as right to repair, and right to buy/acquire will not change
- Your landlord will not change – self-financing does not change your housing provider in anyway
- Your rent – the level of rent you pay will continue to be a decision for your council.

For more information – Ask your council housing officer or see the Department's website for further details:
www.communities.gov.uk/publications/housing/socialhousing

Appendix 2

Derby_Homes_Derby
_Homes_Local_Offers

Appendix 3 - Treasury Management protocol

Derby City Council
Protocol for HRA Deb

Appendix 4 - HRA Risk Register

HRA risk reg.xls

Appendix 5 - HRA Financial plan

v5 consultation
document financial pla

Delivering your services to the standard you expect

Introduction

Since April this year, we have been working within a new regulatory framework set up by the Tenant Services Authority. This means we have to change how we monitor our services, but it doesn't mean we're going to change the services we deliver. We will focus on how our services fit in within the new framework and make sure we're doing what's most important to you.

The new regulation focuses on landlords getting back to basics and working with tenants to deliver services that produce real improvements. The new jargon word for this is outcomes. By outcomes, we mean the measurable differences we have made to you by delivering our services. As part of this regulation, we will be providing a new annual report to you, letting you know how we're doing and what standard of service you're getting. As the change only happened this year, we first need to look at how our service already relates to the new framework. We can't report on how we're doing yet, so this document is to let you know what our plans are for developing our service standards. We will publish our first full report to you from April next year.

About the new regulation

The Tenant Services Authority introduced the new regulatory framework to work with landlords and tenants to improve the standards of service for tenants and residents.

The three priorities for the next three years are:

Securing a fair deal for tenants
Giving you more choice, strengthening your influence, and a greater say in how services are managed.

Protecting the rent payer
Maintaining the investment in your home and keeping rents affordable.

Delivering modern and effective regulation
Reducing bureaucracy, focusing on results, giving landlords freedom to run things themselves, and adapting services to local needs.

Co-regulation

In simple terms "co-regulation" means "working together". Instead of being inspected every three years by the regulator, we now regulate ourselves with the help of tenants and peers, such as other housing organisations. We will rely on short notice inspections and tenant scrutiny to identify areas of our service that are not meeting the standards and need improving. The TSA only get involved if things go seriously wrong.

The regulatory standards

The new standards greatly simplify the regulation of the social housing sector, by setting out six clear standards that are focused on outcomes.

1. Tenant involvement and empowerment
2. Home
3. Tenancy
4. Neighbourhood and community
5. Value for money
6. Governance and financial viability*

*This does not apply to us as a local authority controlled company

The actual wording of the standards is intentionally not specific, which allows us greater flexibility to work with you in agreeing how we deliver our services. The main reason for doing things this way is so that we can concentrate on how we can achieve things, rather than rigidly following specific, detailed processes.

As part of the new regulation, we have developed locally tailored standards of service known as "local offers". These are in response to you telling us what's important to you and us making a commitment to deliver those services to an agreed standard.

For this first year, we've chosen to define "local" as Derby and look at what you consider to be important.

We've had a head start developing our own standards. For a few years now, we've reported our performance in our Tenants' Top Ten targets, which are agreed areas of service that you told us were important. They've helped raise our performance and focus on the parts of our service that matter.

Our local offers
We will...

Keep our repair appointments

Complete non-urgent repairs within 30 working days

Inform you in advance of any planned maintenance to your home

Make sure newly let homes meet agreed standards of repair

Develop our own energy efficiency standards that will be above the government requirements

Offer appointments for all urgent and non-urgent repairs

Regularly service any appliances we provide in your home

Carry out any decoration work to your home to an agreed standard

Complete any garden or grounds maintenance work to agreed standards

Keep you informed if you report a communal repair

Provide new tenants with help and support to allow them to maintain their tenancy

Offer to help you manage your finances in a confidential and professional manner

Give you opportunities to discuss rent arrears and to clear these in full or by affordable instalments

Provide and develop convenient ways to access your rent account

Actively promote access to low cost credit

Provide vulnerable or elderly tenants with access to a range of services to help them live independently

At the very least, give you monthly updates on any anti social behaviour complaint you make

Always ask you for feedback once your anti social behaviour case is closed

Publish our standards for estate services and make them easy to access

Encourage and support projects that benefit the communities in which our tenants live

Carry out estate improvements that benefit the communities in which our tenants live

Develop and support volunteering opportunities for our tenants

Ask for your feedback when you've been involved with improving the service we provide

Verifying what we tell you

Our new Annual Report for Tenants must show how we have involved you in scrutinising our performance and what others have found when inspecting our services.

We are developing training for tenants on how to do this and we have good working relationships with other local housing providers who have already carried out inspections on areas of our service.

Involving you

The new regulation requires us to "engage meaningfully with tenants". We already do this through surveys, Housing Focus Groups, Process Improvement Teams and board meetings. More options, such as texting, website surveys and other methods are also being introduced to make sure we reach as many people as we can. We also respond to the diverse needs of our tenants by holding dedicated meetings or events targeted at specific groups or areas.

If you would like more information about anything in this document or want to get involved in some way, please get in touch.

Resident Involvement Team

Derby Homes Resource Centre
Ground Floor, St Peters House
Gower Street, Derby, DE1 1SB.

Telephone 01332 256213.
Website www.derbyhomes.org/get-involved

We can help you access this information in another way, format, style or language. Please contact us on 01332 711000, minicom 01332 711080 or fax 01332 711001. Telephone calls to our Enquiry Centre are recorded and monitored for training and quality purposes.

ہم دوسری طرح، شکل، اندازیا زبان میں اس معلومات تک رسائی کے سلسلے میں آپ کی مدد کرسکتے ہیں۔ براہ کرم ہم سے 01332 711000، منی کوم 01332 711080 یا فیکس 01332 711001 پر رابطہ کریں۔ ہمارے انکوائری سینٹر کو کی گئی ٹیلیفون کالیں تربیت اورمعیار کے مقاصد کے لئے ریکارڈ کی جاتی ہیں اوران کی نگرانی کی جاتی ہے۔

Możemy dostarczyć Państwu te informacje w inny sposób, w innym formacie, stylu i języku. Prosimy o kontakt pod numerem 01332 711000, minicom 01332 711080 lub faksem pod numerem 01332 711001. Połączenia telefoniczne z naszą Infolinią są nagrywane i monitorowane dla celów szkolenia i jakości.

Mēs varam jums palīdzēt piekļūt šai informācijai citā veidā, formātā, stilā vai valodā. Lūdzu, sazinieties ar mums pa tālruni 01332 711000, minicom 01332 711080 vai faksu 01332 711001. Tālruņa zvani mūsu pieprasījumu centrā apmācību un kvalitātes nolūkos tiek ierakstīti un pārraudzīti.

Galime padėti jums gauti šią informaciją kitokiu būdu, formatu, stiliumi arba kalba. Kreipkitės į mus telefonu 01332 711000, MINICOM 01332 711080 arba faksu 01332 711001. Telefono skambučiai į mūsų užklausų centrą registruojami ir kontroliuojami mokymų ir kokybės tikslais.

हम किसी अन्य तरीके, फ़ॉर्मेट, शैली या भाषा में इस सूचना तक पहुंचने में आपकी मदद कर सकते हैं। कृपया 01332 711000, मिनिकॉम 01332 711080 या फैक्स नं. 01332 711001 पर हमसे संपर्क करें। प्रशिक्षण और गुणवत्ता के उद्देश्य से हमारे पूछताछ केंद्र पर आने वाली कॉल्स का रेकॉर्ड रखा जाता है।

ਇਸ ਜਾਣਕਾਰੀ ਤਕ ਕਿਸੇ ਹੋਰ ਤਰੀਕੇ, ਰੂਪ, ਤਰਤੀਬ ਜਾਂ ਭਾਸ਼ਾ ਵਿਚ ਪਹੁੰਚ ਪ੍ਰਾਪਤ ਕਰਨ ਵਿਚ ਅਸੀਂ ਤੁਹਾਡੀ ਮਦਦ ਕਰ ਸਕਦੇ ਹਾਂ। ਕਿਰਪਾ ਕਰਕੇ ਸਾਨੂੰ 01332 711000, ਮਿਨੀਕਾਮ 01332 711080 'ਤੇ ਸੰਪਰਕ ਕਰੋ ਜਾਂ 01332 711001 'ਤੇ ਫ਼ੈਕਸ ਕਰੋ। ਸਾਡੇ ਪੁੱਛਗਿੱਛ ਦੇ ਕੇਂਦਰ 'ਚ ਕੀਤੀਆਂ ਗਈਆਂ ਕਾਲਾਂ ਨੂੰ ਸਿਖਲਾਈ ਅਤੇ ਗੁਣਵੱਤਾ ਦੇ ਮਕਸਦ ਲਈ ਰਿਕਾਰਡ ਅਤੇ ਮਾਨੀਟਰ ਕੀਤਾ ਜਾਂਦਾ ਹੈ।

To contact Derby Homes

Contact us by phone on 01332 711000 or by emailing enquirycentre@derbyhomes.org. The Enquiry Centre is open Monday to Friday from 8am to 8pm, and on Saturdays between 9am and 12noon. Or write to us at Derby Homes, 2nd Floor, South Point, Cardinal Square, 10 Nottingham Road, Derby, DE1 3QT. If you have an emergency enquiry outside of these hours call Care Link on 01332 256060.

enquirycentre@derbyhomes.org | www.derbyhomes.org

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Produced by Derby Homes Communications and Marketing team

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Title	**Derby City Council Protocol for HRA Debt Finance under HRA Reform**
Date	**2/12/2011**
Version	**6**

Split of existing debt

1. All Derby City Council debt will remain substantially as a single pot, managed by the Council. However, for the purposes of debt management post-reform the Council's debt will be split notionally between the General Fund and the HRA, with the General Fund as lender and the HRA as borrower. The HRA will then service its notional debt portfolio, making decisions about take-up of new debt and redemption of existing debt with regard to the long term financial position of the HRA, and making any principal and interest repayments to the General Fund.

2 The only exception applying to the ability of the HRA to make financing decisions concerns the treatment of the existing LOBO loans and transferred debt as at 31 March 2012(see below).

3. The notional splits will take place as follows:

4. PWLB debt – The announcement in September 2011 of a special PWLB loans facility to be made available to authorities undergoing HRA Reform has required the Council to adopt a specific approach to the split of all PWLB debt as at 31 March 2012 in order to ensure that both the General Fund and the HRA commence business on 1 April 2012 with closely matched if not equal average interest rates on their debt portfolios. This process cannot be finalised until after 31 March 2012, when the final external debt position of the Council will be known.

5. The value of the special PWLB loans facility to be made available to Derby City Council HRA is £29,492,000 and this will be offered at approximately 85 basis points below the rate offered to councils generally. This loan is expected to be taken in March 2012. To counteract the unequal impact of this loan on both the General Fund and the HRA it is proposed to split the remaining PWLB loans in such a way as to ensure equal initial average interest rates for both the HRA and General Fund. In practice, this will mean allocating some higher-rated historic loans to the HRA – known as balancing debts and which will be allocated wholly to the HRA, some lower-rated loans wholly to the General Fund, and splitting the remaining loans in proportion to the outturn Capital Financing Requirements of the General Fund and HRA as at 31 March 2012, according to the final percentage applicable as calculated below.

6. For the purposes of this calculation, the General Fund Capital Financing Requirement (CFR) will exclude the value of any liability associated

with PFI contracts, and the HRA CFR will exclude the value of the special loans facility. These loans will also be excluded from any loans pool that is to be split in accordance with CFR shares.

7. Each loan within the HRA portfolio will be notional, regardless of whether it is a specially allocated loan or whether it is a 'split' loan. The terms of each notional loan within the HRA portfolio will remain the same as the substantial loan from which it has been derived. As at 31 March 2011 the total of PWLB loans held by the Council was £245,295,383, and a further £93,000,000 of borrowing is currently planned for 2011/12 (excluding the planned £29.5m HRA buy-out loan).

8. For information the forecast Capital Financing Requirements for the General Fund (excluding PFI) and the HRA as at 31 March 2012 (excluding the buy-out amount but including a further £12.573m of routine HRA borrowing before the end of March 2012) are as follows:

	CFR	Proportion
General Fund	£248,823,459	55.08%
HRA	£202,902,996	**44.92%**
Total	£451,726,454	100.00%

9. This means that the HRA will take on approximately £152m of notional PWLB debt on 1 April 2012 (subject to refinement at accounts closure). The final calculation of the actual figure at the end of the 2011/12 financial year will result in a percentage (44.92% in the estimate above) for the HRA of 'old' – that is pre 2012/13 debts , and this percentage will remain fixed with respect to such debts thereafter.

10. LOBO debt – The Council's two £10m LOBO loans from Royal Bank of Scotland will each be split in line with the HRA's and the General Fund's CFRs, and the HRA element (approx 45%) will be added to the HRA's notional debt portfolio. If RBS chooses to increase the interest rate on either of these loans – thereby effectively calling the loan - then the Council will make the decision as to whether the loan should be redeemed or the new interest rate accepted. At this point the terms of the corresponding notional HRA LOBO will be altered accordingly.

For information, the relevant rates are shown in the table below:

Loan Ref	Principal	Settlement Date	First Call Date	Initial Rate
760998	£10m	8-11-2010	8-11-2015	4.17%
760845	£10m	28-2-2011	28-2-2016	4.10%

11. Transferred Debt – There are two transferred debts held by the Council – one from the County Council relating to non housing services - as at 31 March 2012 this is estimated to be £36,489,221. This is repayable on a 4% reducing balance basis and principal, interest and expenses payments could be split in proportion the Capital Financing Requirements of the Council's

General Fund and HRA as at 31 March 2012, giving an estimated HRA share of £16,390,958 (44.92%). Interest on transferred debt is determined by Derbyshire County Council and cannot be fixed in advance.
The second transferred debt includes a specifically HRA element of transferred debt from Erewash District Council, estimated to be £738,038 as at 31 March 2012, out of a total of £747,000 outstanding. This could also be split according to the CFR shares for consistency with the County Council debt treatment.

An alternative treatment for both transferred debts would be to split them according to their origin which would mean that the HRA would pick up only the element of Erewash debt that relates to housing. As a result, the HRA would then need to pick up other debts to make up the total. This decision is yet to be made by the Council but will be included in the final version of this protocol.

For illustrative purposes, both debts have been split at this stage.

Summary – Based on the above outline, the HRA loans portfolio as at 1 April 2012 is forecast to be approximately as follows:

Loan type	Derived from	Amount (£m)
Notional PWLB	PWLB	152.0
Self-Financing Loan	PWLB	29.5
Notional LOBO	RBS	9.0
Transferred Debt	County/Erewash	16.7
Total		207.2

Under-borrowing – Under the current item 8 regulation, HRA 'under-borrowing' is charged to the HRA by the General Fund at the average 3-month LIBID rate for the year. This represents a loan from the General Fund to the HRA, at a rate equal to the interest foregone by the General Fund from having used its cash balances to temporarily postpone the HRA's need to borrow. In principle, therefore, *the HRA is never under-borrowed*: it has a mixed portfolio of loans – consisting of relatively expensive PWLB loans and relatively cheap General Fund loans – that always equals its Capital Financing Requirement.

In line with Council policy, HRA variable borrowing will be restricted to 20% of the HRA CFR. Any under-borrowing will be treated as variable rate borrowing and therefore count against this limit.

This notional short term -loan from the General Fund to the HRA is managed retro-actively: its size cannot be calculated until after the CFR has been finalised for the year; and the interest rate applicable cannot be calculated until after the year-end (and an average rate calculated).

The average size of the short term loan for any financial year will be defined as follows:

CFR as at 31 March less any notional loans (listed in Summary above) held by HRA as at 31 March
plus
CFR as at 1 April the previous calendar year less any notional loans held by HRA as at 1 April the previous calendar year
all divided by 2

Under HRA reform the same calculation will apply, the rate used being the average 6-month variable rate as published by the PWLB. This is currently 1.6%. A fee will apply to this loan and will be calculated in line with PWLB fees for variable-rate loans.

Take-up of new debt

The HRA will be free to take up new debt in line with its business requirements. Loans will be offered to it by the Council's General Fund on the same basis that loans are offered to the Council by PWLB. Market-style loans will also be made available to the HRA on the same basis that they are offered to the Council as a whole. The HRA will take no loans (including finance leases) from any other party than the Council's General Fund.

Once the terms of any individual loan are agreed between the HRA and the General Fund these will be unchangeable.

The fees that will apply to PWLB loans taken by the HRA are as follows:
Fixed rate loans - 35p for every £1,000 or part of £1,000
Variable rate loans - 45p for every £1,000 or part of £1,000
Minimum fee - £25
These fees match current PWLB fees and will be updated in line with PWLB fees.

Fees for market-style loans will reflect those offered at the time. Complicated loans may attract an additional admin fee levied by the General Fund, reflecting the additional work undertaken in arranging the loan on behalf of the HRA.

Early Redemption of debt

The HRA will be able to redeem any loan in its portfolio that has been offered to it on PWLB terms. Any charge on redemption (ie. a premium or discount) will be calculated using the PWLB discounted cashflow method using the redemption rates as published on the day.

Market-style loans can be redeemed by the HRA under the same terms offered by the market lender.

Interest on Balances

The HRA currently receives interest on the average value of its reserves, at a rate equal to the average 7-day LIBID for the financial year. It is not intended to make any change to this policy

Premiums and Discounts

At 1 April 2012 the HRA will have £1,304,308.54 of net discount (arising from previous debt redemption exercises) held on the Balance Sheet. Subject to (a) clarification from the Council's treasury management advisors and (b) any specific regulations pertaining to premiums and discounts under Item 8, it is proposed to write this net discount off to general HRA balances during 2012/13.

A similar write-off will be undertaken for General Fund premiums and discounts.

Charging Protocol

Financing charges made to the HRA will be made as part of the accounts closure process at year-end, via journal transfer. The charges will cover notional loan fees and interest only. Principal amounts will not require journal transactions.

Future changes to protocol

It is intended that this be protocol be ratified at full Council, and that future changes to the protocol be made only with full Council approval. It is not intended that such changes would be necessary unless there are external factors involved – for example a change in legislation or to debt controls on local authorities that require such change.

Roger Kershaw
Strategic Director of Finance

Date Ratified by Council

****

HRA RISK REGISTER

Document completed by: David Enticott
Date September 2011
Document reviewed by:

Risk Ref. No.	Risk Respons-ibility (DH/DCC)	Risk Type (financial, reputational operational)	Risk Description	Issues to Consider in the Evaluation of the Impact	Value of Risk (£000)		Inherent Risk Level: Likelihood	Inherent Risk Level: Impact.	Inherent Risk Score Likelihood x Impact	Current Residual Risk Likelihood	Current Residual Risk Score	Key Controls	Risk Owner
1	DCC	Financial Reputational	Rent Policy / rent restructuring - failure to increase rents to adequate levels to fulfil funding plan	Changes to policy of real increase, the floating convergence date, the policy post convergence, CPI and RPI possibly	4800 per 1%	Short Term	5	5	25	3	15	Continue to support rent restructuring as basis for rent setting until target rent is reached. Continue to consult tenant groups to explain reasoning and secure continued support for strategy.	David Enticott
						Long Term	5	5	25	3	15		
2	DH & DCC	Financial. Reputational	Breaching Debt Cap	Discount rate applied to the settlement, insufficient resources applied to debt repayment, debt profiling and refinancing, use of internal resources, spending above expected levels, income below expected levels	228000	Short Term	3	5	15	2	10	HRA planning set on a long term basis, plan for 5% flexibility below cap as standard to avoid emergency measures	Phil Davies / David Enticott
						Long Term	3	5	15	2	10		
3	DH & DCC	Financial. Reputational	Failiure to maintain stock to adequate standard	Maintenance of a lettable standard of accommodation to maintain rental income; Consultation with tenants	25000	Short Term	2	5	10	1	5	Set out long term plan for adequate levels of funding post HRA reform. Asset Management Strategy in place. Regular review of costsagainst funding levels both short term and long term prospects.	Matt Hands
						Long Term	4	5	20	2	10		
4	DH & DCC	Financial Operational	Failure to develop effective business plan by April 2012 - business planning and asset management to become unified	All issues set out here.	50000	Short Term	3	4	12	1	4	Set initial business plan out in modelling. Consult with interested parties - DH,DCC officers and members, tenants. Agree long term strategy between parties. Develop modelling to feed Council budgeting process. Cover risks in this register in modelling.	David Enticott
						Long Term	4	4	16	1	4		
5	DH & DCC	Financial Operational	Impact of changes on bad debt levels eg Housing Benefit Changes	Income recovery rates - impact of benefit changes especially underoccupation deductions, collectability of higher levels of bills for leaseholders as the investment of homes increases	4800 per 1%	Short Term	4	4	16	4	16	Financial Inclusion Strategy by awareness raising and training for staff and reporting system on Credit Union project. Linkage with Credit Union by encouraging the Credit Union to continue to expand its portfolio of service. Plan for increased levels of bad debts after 2013. - Links to Derby Homes Strategic Risk4. Performance management framework, effectively enforced, to manage the risks of poor performance in income collection.	Phil Davies / Maria Murphy / Jaz Sanghera
						Long Term	4	4	16	4	16		
6	DH & DCC	Financial Reputational	Failure to keep abreast of demand and need - customer profiling,	Ability to vary rents in longer term within overall average rent target restraint; impact of HB changes eg underoccupation; understanding void levels and reasons		Short Term	3	3	9	3	9	Develop a plan to collect all strands of profiling data for tenants, target in the Delivery Plan. Ongoing collection of data LA Core - Process in place for collection of data at sign-up, LA Core returns, customer satisfaction surveys and through Supported Living Team reviews, Sustainability Team Assessments and FIP Assessments. Utilise repairs team to collect/update information from tenants.	Maureen Davis
						Long Term	3	3	9	3	9		
7	DH & DCC	Financial Reputational Operational	Void levels	Lost income, increased cost of voids, increased management demands		Short Term	3	3	9	3	9	Liaison with Housing Options, Monitoring of reasons for leaving, tackling issues that arise. Performance management frameworks, effectively enforced, to manage the risks of poor performance in voids.	Maureen Davis
						Long Term	3	3	9	3	9		
8	DH & DCC	Financial. Reputational	HRA revenue reserves lower than 5% of rent income. Higher level impact if reserves < 0.	HRA revenue reserves need to be maintained above 5% in planning. If reserves fall below 0 the cost would have to be charged to the General Fund of the Council which would be unacceptable.	2400	<5%	4	2	8	4	8	Planning to retain 5% reserves as part of long term financial planning for HRA. Potential plan to defer / hold back spending in case of imminent breach of target.	Phil Davies / David Enticott
						<0	2	5	10	1	5		

9	DCC	Financial	Increased interest rates	Levels of debt, interest rate increases	2000 per %	Short Term	4	3	12	4	12	Use of long term fixed debt to reduce impact. Agreement internally within the Council on how to charge the HRA for interest and manage debt in future.	David Enticott (DH) Ciaran Guilfoyle (DCC)
						Long Term	4	4	16	3	12		
16	DH & DCC	Financial	Treasury management fails to perform as the new HRA Business Plan will require		2000 per %	Short Term	3	3	9	3	9	Agreement internally within the Council on how to charge the HRA for interest and manage debt in future. Management of debt funding options. Treasury Management arrangements in place between HRA and General Fund	David Enticott / Ciaran Guilfoyle
						Long Term	3	4	12	3	12		
10	DH & DCC	Financial	Right to Buy levels increase above current levels of around 2 a month.	Increases in RTB where only retain 25%, Receipts from sale of assets not invested in HRA	18 per additional RTB loss	Short Term	2	2	4	2	4	Plan for expected levels of around 2 to 3 a month. In event of increased levels, reduce spending elsewhere. Marginal elements of considering developments that have lower chance of RTB eg Flats, sheltered housing etc. National lobbying on this issue through LGA	DCC
						Long Term	3	5	15	3	15		
11	DH & DCC	Financial	New build strategy - planning of long term replenishment / renewal strategies and levels of HRA subsidy?	Costs overruns, programme slippage, needs exceeding the plans - backlogs, insufficient resources set aside for future plans. Debt that can be supported affected by rent levels set - higher rent more debt possible. HRA ability to subsidise overall development from future savings in maintenance. Wider Asset Management issues relating to disposal and rebuild potential	£ms over long term	Short Term	*3*	*2*	6	*3*	6	Mitigation measures include higher levels of sales of new build and/or possibly voids, lower costs of development where possible, higher rent levels where possible, possibly joint ventures etc. Performance management frameworks, effectively enforced, to manage the risks of poor performance in investment scheme delivery.	Phil Davies / David Enticott
						Long Term	*3*	*5*	15	*3*	15		
12	DH & DCC	Financial Reputational Operational	SP Grant or other grants	Impact of year on year reductions, insufficient to cover costs	1000	Short Term	4	3	12	4	12	Plan for reduced staffing levels and services should income reduce in future. Previous restructuring and lowering of costs should protect income levels.	Maria Murphy
						Long Term	4	3	12	4	12		
13	DH & DCC	Financial	Cost Inflation	Pay levels, repairs, investment, energy, property prices etc	40000	Short Term	1	1	1	1	1	In general, inflation pressures are covered by increased rent which also relates to inflation. Impact will only arise if local pressures / costs out of line with national levels. Mitigation is about cost control within HRA - tighter budget for management already in place.	David Enticott/ Phil Davies
						Long Term	2	1	2	2	2		
14	DH & DCC	Financial Reputational Operational	Fail to engage with Councillors and achieve cross party support for the 30 year HRA Business Plan			Short Term	3	4	12	2	8	Maintaining agreement relating to rent policy and need to maintain resourses for the HRA as previously experienced within the Council.	David Enticott/ Phil Davies
						Long Term	4	4	16	3	12		
15	DH & DCC	Financial Reputational Operational	Failure that after debt repayment and maintaining decent homes there will be insufficient funds to manage the estates successfully	Unable to continue the estate pride programme, and partnership and community initiatives which are needed to sustain council estates and prevent them from becoming less popular suffering from ASB and crime with increased arrears and voids		Short Term	3	3	9	3	9	Allowing sufficient funds to be held to support this work.	Phil Davies
						Long Term	2	3	6	2	6		

Red - Phil

Derby Homes Limited

Budget 20012/13 - Management Fee Projections

	Core Fee	Adjustments	Total	Est Service Charges	Management total	Maintenance	Est Service Charges	Maintenance Total	Total inc S/C
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2011/12	**9,807**	**237**	**10,044**	**796**	**10,840**	**11,733**	**0**	**11,733**	**22,573**
2012/13									
Inflation	245		245		245	427		427	672
remove transformation	-301		-301		-301			0	-301
management fee reduction	-250		-250		-250			0	-250
lease and insurance changes		-237	-237		-237			0	-237
Increase in fee to cover under occupation posts	53		53		53			0	53
Stock Adjustment growth	3		3		3			0	3
Stock Adjustment reductions	-10		-10		-10	-15		-15	-25
mainstream neighbourhood working from EP	125		125		125			0	125
transfer concierge service charge to income	-11		-11		-11			0	-11
growth in service charges				94	94			0	94
Transfer of fee to cover cleaning and GM	-468		-468	-655	-1,123	468	655	1,123	0
Transfer of fee to cover Estate Response	-146		-146		-146	146		146	0
Transfer of fee to cover Furniture packs	-204		-204		-204			0	-204
Transfer of fee to cover Regeneration staff	**-149**		**-149**		**-149**	**149**		**149**	**0**
Growth - cyclical 900k fencing 250k					**0**	1,150		1,150	1,150
	8,694	0	**8,694**	**235**	**8,929**	14,058	655	14,713	23,642
2013/14									
Inflation	217		217	6	223	422	20	442	665
management fee reduction	**-250**		**-250**		**-250**			**0**	**-250**
Stock Adjustment	-12		**-12**		**-12**	-24		-24	-36
	8,649	0	**8,649**	**241**	**8,890**	14,456	675	15,131	24,021
2014/15									
Inflation	216		216	6	222	434	20	454	676
management fee reduction	-250		-250		-250			0	-250
Growth					0	250		250	250
Stock Adjustment	**-20**		**-20**		**-20**	**-48**		**-48**	**-68**
LGPS inflation	196		**196**		**196**			0	196
	8,791	0	**8,791**	**247**	**9,038**	15,092	695	15,787	24,825

Derby Homes Ltd **Appendix 6**

Proposed Service Charges - Cat2 Scheme Energy Costs - Summary 2012/13

	No. of Units		Supply	**Proposed Weekly Charge 2012/13**	Weekly Charge 2011/12 Gas water only
Kestrel House	24	1 bed flat	Electric	£3.39	
			Gas	£8.18	
			Water	£3.59	
				£15.16	£12.40
Whitecross House	7	Bedsit	Electric	£3.71	
			Gas	£4.52	
			Water	£3.02	
				£11.25	8.64
	15	1 bed flat	Electric	£4.13	
			Gas	£9.04	
			Water	£3.35	
				£16.52	11.27
	3	2 bed flat	Electric	£6.19	
			Gas	£13.56	
			Water	£5.03	
				£24.78	14.82
	1	3 bed HSD	Electric	£10.32	
			Gas	£15.82	
			Water	£8.38	
				£34.52	16.42
	26				

				Proposed Weekly Charge 2012/13	Heat Power & Water chs 2011.12
Rebecca House					
	6	1 bed flat type A	Electric	£0.00	
			Gas	£7.64	
			Water	£1.63	
				£9.28	13.54
	2	1 bed flat type D	Electric	£0.00	
			Gas	£7.64	
			Water	£1.63	
				£9.28	13.54
	2	1 bed flat type E	Electric	£0.00	
			Gas	£6.12	
			Water	£1.63	
				£7.75	13.54
	4	2 bed flat type B	Electric	£0.00	
			Gas	£9.17	
			Water	£2.45	
				£11.62	16.22
	5	2 bed flat type C	Electric	£0.00	
			Gas	£7.64	
			Water	£2.45	
				£10.10	16.22
	19				