

**Babergh District Council**

**Housing Revenue Account**

**30 year Business Plan**

**2017- 2047**

**(5 year medium term 2017 – 2022)**

DRAFT

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## 1. INTRODUCTION

The Housing Revenue Account Business Plan is a key document that sets out the Council's plans for the management, maintenance and investment in its housing stock. It is a vital tool for seeking continuous improvement in the quality of its Housing Service. The plan looks at the current position and how this might change, with reference to:

- Stock condition
- Service delivery
- Rents and income
- Tenants' views
- Housing need
- Financial control
- Risk management

Councils with retained housing stock are required by the Local Government and Housing Act 1989<sup>1</sup> (section 74) to keep Housing Revenue Accounts (HRAs) which record all revenue expenditure and income relating to the provision of Council dwellings and related services. In addition, since 2012 Local Authorities have been required to maintain 30 year business plans setting out their financial projections and investment requirements.

The business plan is primarily concerned with the local authority's landlord role and should be read in conjunction with the Council's Housing Strategy which is currently being commissioned. The Housing Strategy will have a wider cross tenure strategic purpose and establishes objectives for meeting the housing shortage in Babergh.

The plan contains an investment programme, formulated on a five year and a 30 year basis, reflecting many of the Government's targets and requirements for a longer term planning cycle. The 30 year projections are based on the most up to date information available.

This business plan is written for Members, tenants and staff involved in the governance and management of the Housing Service and sets the scene for the next five years (2017-2022) of a longer term 30 year plan.

Stock condition data has been built into the model on which the projections have been based. The business plan is a key element in determining the future direction of the Housing Service. The plan also demonstrates the Council's performance as a landlord and identifies proposals and improvements made through internal and external reviews. This will ensure that the Council optimises its efforts and use of resources to improve the standard of homes and contributes to tenants' enjoyment of a decent quality of housing.

In summary the business plan:

- examines the current position and the Council's performance as landlord.
- summarises the functions of the Housing Service.
- sets out the Council's vision for the Housing Service.
- sets out a five year plan for capital investment and maintenance.
- sets out a five year plan for service development and improvements.
- compares how much money is needed with the amount that will probably be available.
- summarises the projects that have been identified to transform the Council's HRA finances.
- identifies options for additional investment as resources become available immediately and throughout the lifetime of the plan.

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<sup>1</sup>Local Government and Housing Act 1989 - <http://www.legislation.gov.uk/ukpga/1989/42/contents>

## 1.1 Babergh and Mid Suffolk District Councils - Working Together

In 2012, Babergh and Mid Suffolk District Councils appointed their first joint Chief Executive. This was the first step in our integration and transformation programme that would ensure both Councils could continue to thrive as separate sovereign entities, run by their own elected Councillors, but with a fully integrated staffing structure. By working together, across teams and service areas, we are focussed on delivering key outcomes for our communities in Babergh and Mid Suffolk in a way that would have been impossible for either Council to have achieved alone. A Joint Strategic Plan sets out the vision and priorities for both Babergh and Mid Suffolk District Councils from 2016-2020.

## 1.2 The Joint Strategic Plan

Within the Joint Strategic Plan, Babergh District Council's vision is to create an environment where individuals, families, communities and businesses can thrive and flourish. The Council's priority in terms of housing is to shape, influence, and provide the leadership to achieve the right mix and supply of housing.

The housing priorities are delivered under four key strategic themes:



The Joint Strategic Plan sets out how Babergh aims to deliver enduring and positive changes for the many and diverse communities that they serve. The plan provides a shared direction and common purpose with Mid Suffolk District Council, against which we can work with our communities to deliver the outcomes the Councils wish to see. It outlines the context in which we are operating and the challenges and opportunities of the future. It articulates three key priority areas: Economy and Environment; Strong and Healthy Communities; and Housing. Councillors and staff at both Councils are fully committed to working together and with partners to achieve the outcomes described in the Joint Strategic Plan.

### 1.3 The vision for Housing

We want to be a modern landlord with a more commercial approach, retaining our function of providing support to our most vulnerable tenants in our communities. We recognise that we need to work more efficiently, targeting our resources and support where it is needed the most. We aim to enable the majority of tenants to take more responsibility to resolve their own problems. The Council's relationship with tenants needs to shift from the traditional paternalistic model to encourage citizenship where tenants take responsibility for their own lives and communities and are economically active. The key to this is the Council, our businesses and the communities we serve increasing their capacity by identifying partnership working opportunities. We will encourage staff, tenants and Members to be adept at working through bespoke housing solutions, that reflect local needs. To provide an innovative, efficient and sustainable service to our tenants we must understand our operating costs and continually identify where efficiencies and improvements can be achieved.

The key elements of our vision for Housing are:

- Sustainable Housing Revenue Account
- System wide collaboration to achieve better outcomes through prevention
- Evidence based decision making
- Good quality affordable homes
- Reduced homelessness and waiting list for affordable housing
- Supporting the needs of our ageing population
- An ambitious programme of development and acquisitions
- Use of technology to provide a modern, efficient service that suits the users' requirements

## 2 NATIONAL POLICY AND EXTERNAL INFLUENCES

There are many factors at both local and national level which impact upon housing markets and the social housing sector. The rural economy of Babergh has as much influence on local housing markets as national housing and welfare policies.

The Autumn Statement (November 2016)<sup>2</sup> diluted the Housing and Planning Act<sup>3</sup> slightly by removing the requirement for Councils to introduce Pay to Stay and announced a new white paper to be published in due course with further details of a comprehensive package of reforms to increase housing supply and tackle rising housing costs .

Locally, we have recently seen the publication of the North East Essex West and East Suffolk NHS Sustainability Transformation Plan, which outlines how local health and social care organisations will continue to work together to sustain and transform services over the next five years around a central theme of '*collaboration, not competition*'. This builds upon the commitments set out in the Housing and Health Charter for Suffolk in 2014. Babergh has an important role to play in supporting our partners in the NHS and Suffolk County Council to make this work.

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<sup>2</sup> Autumn Statement 2016 - <https://www.gov.uk/government/topical-events/autumn-statement-2016>

<sup>3</sup> Housing and Planning Act 2016 - <http://www.legislation.gov.uk/ukpga/2016/22/contents/enacted/data.htm>

## 2.1 Self-financing

The Localism Act 2011<sup>4</sup> replaced the HRA subsidy system with 'self-financing'. The self-financing changes were the most radical changes for 30 years to the way in which Councils manage their Council house finances. From April 2012, Babergh took on a share of the national housing debt calculated by the Government as their 'debt settlements'. The self-financing debt settlement figure was £83.6m. Babergh's total maximum loan portfolio became £97.9m (the debt cap). The current debt is £84.8m leaving a headroom of £13.1m.

The introduction of self-financing required the Council to take a long term strategic approach to their finances using 30 year business plans. The plans must take into account the current environment in which the Council is operating: housing shortages; an ageing population; increasing numbers of smaller households; Welfare Reforms; and a reduction in funding for public services.

## 2.2 Localism Act

The Localism Act contains a wide range of measures which have and will have a significant impact on the delivery of the Housing Service. A summary of the key changes are as follows.

**Right to buy reinvigoration** - A maximum discount of 70% – or £77,900 across England and £103,900 in London boroughs (whichever is lower).<sup>5</sup>

**New model of affordable housing** - the affordable rent tenure (ART) regime sets maximum rents for this tenure at up to 80% of local market rents and applies to all new build schemes receiving grant from the Homes and Communities Agency (HCA).

## 2.3 Welfare Reform Act<sup>6</sup> (Welfare Reform and Work Act)<sup>7</sup>

The Government's welfare reform measures, first introduced in 2012, are aimed at deficit reduction (reducing the overall benefits bill); increasing incentives to work; creating greater fairness in the welfare system between those on out of work benefits and taxpayers in employment; and reducing long term dependency on benefits. A summary of the relevant key changes are as follows.

**Spare room subsidy** - a reduction in housing benefit for working age tenants who under occupy their homes. This has resulted in greater demand for one and two bedroom Council properties.

**The benefit cap** - on 7 November 2016 the welfare benefit cap came into effect, meaning the total amount households can receive in benefits is limited to £20,000 across the UK or £23,000 within Greater London. For single people without children, the cap outside London is £13,400. The new cap will be fully implemented by local authorities by January 2017.

**Universal credit** – a welfare benefit introduced in 2013 to replace six means tested benefits and tax credits. Universal Credit was announced as a reform designed to bring "fairness and simplicity" to the British social security system. In practice, payment of Housing Benefit to the tenant rather than direct to the landlord has resulted in increased rent arrears in all pilot areas. Universal Credit will be rolled out in Babergh in late 2017/early 2018.

<sup>4</sup> Localism Act 2011 - <http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted>

<sup>5</sup> Right to Buy: buying your council home - <https://www.gov.uk/right-to-buy-buying-your-council-home/discounts>

<sup>6</sup> Welfare Reform Act 2012 - <http://www.legislation.gov.uk/ukpga/2012/5/contents>

<sup>7</sup> Welfare Reform and Work Act 2016 - <http://www.legislation.gov.uk/ukpga/2016/7/contents/enacted>

**Local Housing Allowance** - from 1 April 2019, housing benefit for new tenants since 1 April 2016 will be restricted to the Local Housing Allowance (LHA) level for that size of household for tenants of social housing. If the tenant is single and under 35 years old the benefit eligible rent and service charge will be capped to a shared accommodation rate (SAR) unless an exemption applies.

*A ministerial statement released on 22 November 2016 announced that the LHA cap will also apply to all tenants in general needs accommodation who receive Universal Credit, not just those who sign new or renewed tenancies.*

**Social rent reduction** - the Act requires registered providers in England to reduce social housing rents by 1% a year for four years (until 2019/20). The reduction applies to the rent element and not to service charges.

## 2.4 Housing and Planning Act<sup>8</sup>

The Housing and Planning Act makes widespread changes to housing policy and the planning system. The Act is intended to promote homeownership and boost levels of housebuilding in England. The key changes affecting Council housing are outlined below:

**High income social tenants – mandatory rents (Pay to Stay)** - the Act provides local authorities with the option to charge higher rents to tenants with a household income exceeding £60,000. There is no benefit to Babergh in exercising this power since the additional income must be paid to the Treasury to support Right to Buy discounts for housing association tenants. Indeed, there would be additional cost to administer the scheme and it is anticipated that Right to Buy sales of council stock would increase as a result. Babergh District Council has therefore agreed not to adopt Pay to Stay.

**High Value Asset Sales** - Section 76 of the Act imposes a duty on local housing authorities to consider selling higher value homes when they become vacant. The definition of “higher value” will be clarified by regulations made under the Housing and Planning Act. The payment will take the form of a levy, giving local authorities a choice in how they raise the funds. The money will again fund housing association Right to Buy discounts and new house building.

**Fixed Term Tenancies** - lifetime (secure) tenancies for Council houses will be replaced with finite or fixed term tenancies of up to ten years. All other tenancy rights, including the Right to Buy, will remain.

The Housing Minister reaffirmed the Government’s commitment to these policies in a letter to local authorities in November 2016, although the date for implementation appears likely to be April 2018.

## 2.5 Homelessness Reduction Bill<sup>9</sup>

The Homelessness Reduction Bill 2016-17 aims to reform the Housing Act 1996 to ensure that Councils have a duty to prevent and relieve homelessness irrespective of someone’s priority status. If it becomes legislation, the Bill will bring about many changes that will affect how the Council manages the Homelessness service (a General Fund service).

## 2.6 National Planning Policy Framework<sup>10</sup>

<sup>8</sup> Housing and Planning Act 2016 - <http://www.legislation.gov.uk/ukpga/2016/22/contents/enacted/data.htm>

<sup>9</sup> Homelessness Reduction Bill - <http://services.parliament.uk/bills/2016-17/homelessnessreduction.html>

<sup>10</sup> National Planning Policy Framework - <https://www.gov.uk/guidance/national-planning-policy-framework>



The National Planning Policy Framework was published on 27 March 2012 and sets out the government's planning policies for England and how these are expected to be applied. The Framework states:

*'to boost significantly the supply of housing, Local Planning Authorities should ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out within this Framework'*. (paragraph 47).

## **3 THE DISTRICT**

### **3.1 Demographic information**

#### **Population**

Babergh is a rural district with a population of approximately 88,840, with its main population areas being Sudbury, Cornard and Hadleigh. Since the publication of the last business plan (2012), there has been an increase in the population of the district of 2,840.

Suffolk's population is growing, but more slowly than regional and national trends. Since 2009, the rate of growth in Suffolk has slowed down and the county's population has increased by around 3 per cent compared with 4 per cent for England and 5 per cent for the East.

Across Suffolk's districts, population changes have been very different. For example, Babergh is growing particularly slowly and in contrast Mid Suffolk is growing faster than the average of England.

The latest population estimates for age composition in Babergh's Housing Market Area (SHMA) shows that between 2005 and 2015 the number of people aged 60 or over markedly increased. In contrast, the number of people aged between 30 and 44 decreased<sup>11</sup>.

Babergh's population will increase by 10% to 96,400 by 2035. According to this growth forecast figure, 12,927 people are expected to be aged over 80 (13.4%). This poses challenges for us in terms of how we adapt our services and work with our communities to meet the needs of an ageing population.

Rurality is pertinent to the issue of housing need because rural households are exposed to a series of additional challenges including extra transport costs, particular housing needs (such as higher domestic fuel costs) and access to essential services, educational choices and employment opportunities.

Research suggests that people living in rural villages and hamlets need to be able to spend between 15 and 25 per cent more than their urban counterparts in order to be able to afford the same, minimum socially acceptable standard of living. (Hidden Needs Report 2011-2016). This means that income deprivation in rural households has an even greater impact than it does in urban areas. People living in poverty and hardship, for those on a low income, is exacerbated by barriers to accessing services and the higher additional costs associated with living in the countryside.

#### **Household Size**

The Census 2011 shows that the average household size has changed since 2001. In Babergh the average household size was 2.35 in 2001, dropping to 2.30 in 2011. The population has increased at a slower rate than the number of households between 2001 and 2011, resulting in a falling average household size.<sup>12</sup>

<sup>11</sup> ONS Population Estimates 2016 - [www.ons.gov.uk](http://www.ons.gov.uk)

<sup>12</sup> Census 2001 and 2011 - <https://www.ons.gov.uk/>

## **Household composition**

Figures taken from the Census 2011 indicate that there are more one person households than any other household type in the Babergh district. The overall household distribution does not differ notably from the regional and national averages.

## **Change in household types**

The Census 2011 looks at the percentage change in household groups between 2001 and 2011 at district level. The figures show that lone parent households have increased most notably and that there has been a fall in the number of couple households.

Overall, in the Housing Market Area (SHMA), it is interesting to note that households with non-dependent children have increased whilst the number of households with dependent children has decreased. This suggests that household formation rates amongst young adults may have reduced.

## **3.4 The housing market**

Babergh is a relatively expensive places to live, partly because of the desirability of the area, and partly because the supply of new homes of all types has not kept pace with the demand over recent years. For many residents including young families, this makes owning their own property impossible in the short to medium term.

The high cost of housing in Babergh, together with relatively low average earnings suggests a strong and ongoing need for affordable housing. The median house price to salary ratio is 10.5. This is against a national average of 6.96.

In August 2016, the average price of a house in Babergh was £262,393, 10% higher than the national average of £235,573 and an increase of 11.6% from August 2015 when the average price was £235,183<sup>13</sup>. The average first time buyer will pay around £231,323 for their first home. An average former owner occupier will pay around £311,280. The average private rent per calendar month is £635 in Babergh.

Many of our tenants are facing hardship caused by the rising costs of basic goods and services in particular rising energy bills. The high cost of housing, together with relatively low earnings suggests a strong and ongoing need for affordable housing.

## **3.5 Economic factors**

The district of Babergh has a small local economy with much of the workforce commuting outside Suffolk. Many local jobs are less skilled and lower waged than elsewhere in the country which has an effect on housing affordability. Babergh has an unemployment rate of 3.2%, below the UK average of 5.1%. Latest information (November 2016) shows there were approximately 4,020 (7.8%) benefit claimants in Babergh. The East has 9.6% and the Great Britain average is 11.8%. Babergh has 2048 recipients of part or full housing benefit and 455 (0.9%) out of work benefit claimants<sup>14</sup>.

## **3.6 Public access and accommodation – All Together**

The world of government and the public service sector is being transformed by technology, new ways of working, a severely constricting financial environment and public expectations. We have to enable our communities to become more resilient and to rely less heavily on public sector services and resources by being more efficient, flexible, agile, innovative, collaborative and accessible.

<sup>13</sup> <https://www.gov.uk/government/publications/uk-house-price-index-england-august-2016/uk-house-price-index-england-august-2016#price-change>

<sup>14</sup> NOMIS - <https://www.nomisweb.co.uk/>

To do this, we must develop our communities and use new technologies to establish improved ways of working that are better for our residents, simpler for our staff and cheaper for the Councils. Our vision is for the Councils to have much improved public access arrangements, making it easy for anyone to do business with the Councils through channels that: (a) are effortless to navigate (b) promote individual and community self-service (c) are available when the customer requires them (d) make work more straightforward and enjoyable for our staff (e) reduce confusion for the public about who does what across the Suffolk System.

Our new Public Access Strategy devolves control and responsibility to our residents. It fosters community resilience and will enable us to learn from each interaction. It is customer focused, and promotes an evidenced understanding of the bespoke requirements of individuals, a culture of collaboration and continuous refinement of the way we do business.

Babergh and Mid Suffolk District Councils currently have many different ways for the public to make contact. There are face to face service points in the Council buildings at Needham Market and Hadleigh and at the Sudbury Advice Centre. They deal with the very low volumes of unannounced walk-in demands with enquiries about Council services. This is supplemented by individual services who may visit residents or businesses, have duty rotas or make appointments for customers to come and see them, for example, to seek advice from their Community Housing Officer about a tenancy issue.

Alongside this face to face provision, the public can make contact via telephone, although we know that often it can be difficult to get an answer and / or to get to the right person to answer an inquiry. There are many numbers publicised and some arrangements that appear confusing from the outside.

Our Public Access Strategy takes a whole system approach and supports collaborative work with partners in order to enable communities to do more for themselves, generating less demand on public services. Together with developing self-service options, this will mean we can focus more attention on those that really need our help.

In September 2016, Councillors agreed to improve the delivery of public services by re-locating to new Headquarters in Endeavour House in Ipswich. There will continue to be one access point in each district to ensure the public retain a 'face to face' interaction with the Councils.

The accommodation and Public Access Strategy are fundamental to supporting the delivery of the Joint Strategic Plan. Both will support the creation of an enabled and efficient, customer focused organisation that works in and with its communities.

## **4 THE HOUSING SERVICE**

### **4.1 Customer Services**

The planned transformation of the Council's public access arrangements has significant implications for the Housing Service. Tenants will be encouraged to self-serve and complete more transactions online. New Customer Relationship Management software will be configured to enable the Councils' contact centre to resolve as many enquiries as possible at first point of contact and to co-ordinate the data that all Council services hold about our residents to enable more targeted service provision. Training will be key to ensuring that we maximise the opportunities presented by our new public access arrangements.

### **4.2 Council housing stock**

Tables 1 below provide details of Babergh's current housing stock.

The Councils' responsibilities extend beyond just collecting rent and maintenance. Good quality and appropriate housing for all needs is an essential component in ensuring successful, diverse and dynamic communities and supports a successful and growing local economy.

**Table 1 - Council housing stock at November 2016**

	<b>Bungalows</b>	<b>Flats</b>	<b>Houses</b>	<b>Total</b>
<b>General needs</b>	877	372	1795	<b>3044</b>
<b>Sheltered</b>	100	245	0	<b>345</b>
<b>Shared ownership</b>	0	3	0	<b>3</b>
<b>Leasehold</b>	0	97	0	<b>97</b>
<b>Temporary accommodation units</b>	0	16	0	<b>16</b>
<b>Total</b>	<b>977</b>	<b>733</b>	<b>1795</b>	<b>3505</b>

In addition the council owns and manages 1,216 garages.

Total projected rental income from houses and garages for 2016/17 is £ 16,996,226. This figure includes, rental income (including compulsory garage rent), garage income and service charges. An average rent in 2016/17 is £90.90.

### 4.3 Housing need

Table 2 below provides details of the number of people on the Council's housing register. Vacant dwellings are allocated through a Choice Based Lettings system (Gateway to Home Choice) in partnership with seven other local authorities.

**Table 2 - Babergh – Number of people on waiting list (by need) at November 2016**

	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Total</b>
<b>1 bed</b>	8	51	188	25	248	520
<b>2 bed</b>	41	59	86	8	173	367
<b>3 bed</b>	4	35	10	2	70	121
<b>4 bed</b>	1	6	1	1	4	13
<b>5 bed</b>	0	2	0	0	0	2
<b>Total</b>	54	153	285	36	495	1023

Around 50% of those on the waiting list are in the lowest band – these people are considered adequately housed, typically those in private rent, owner occupiers and those with an existing social housing tenancy which is deemed suitable. These people have no particular need to move.

**Table 3 - Number of people on waiting list (by age) at November 2016**

	<b>16-25</b>	<b>26-35</b>	<b>36-45</b>	<b>46-55</b>	<b>56-65</b>	<b>66+</b>	<b>Total</b>
1 bed	51	64	56	74	93	182	510
2 bed	74	109	77	53	20	34	350
3 bed	4	46	43	19	7	2	120
4 bed	0	4	7	2	0	0	3
5 bed	0	2	0	0	0	0	2
<b>Total</b>	129	225	183	148	120	218	1023

**Table 4 - Number of homes let 2015/16**

(excludes Housing Association and very sheltered accommodation)

	<b>Flats and houses</b>	<b>Bungalows</b>	<b>Sheltered</b>	<b>Total</b>
<b>1 bed</b>	20	17	24	61
<b>2 bed</b>	51	24	3	78
<b>3 bed</b>	53	0	1	54
<b>3+ beds</b>	8	0	0	8
<b>Total</b>	132	41	28	201

The number of people on the Council's housing register has decreased since 2012. This may be attributed to the introduction of Choice Based Lettings (CBL). CBL is a more transparent way of advertising and allocating housing, and allows applicants to see how likely it is that they will be housed by the Council – this may deter people from joining the register if they would be a low priority.

#### 4.4 Tenant involvement

The Council is fully committed to tenant and leaseholder participation and has actively enhanced the opportunities for tenants to become involved in helping to shape, monitor and review the Housing Service, including:

- The Joint Housing Board – consisting of six Councillors and six elected tenants each representing an area of the districts.
- Tenant Scrutiny Panel – undertakes detailed reviews of specific services areas with a view to improving the tenant experience.
- Babergh and Mid Suffolk Tenants' Forum – a group of tenants that meet monthly to review service areas to develop their knowledge and make recommendations for change.
- Mystery Shoppers – tenants who 'shop' our customer service offer three times a year and report back on their experience and make suggestions for change.
- Estate Inspectors – report directly any issues within the estates where they live, such as fly-tipping.

The programme of work includes reviewing the effectiveness of our involvement with our tenants to ensure that we are embracing the opportunities that technology and social media present.

#### 4.5 Repairs

Our new in-house trades team, Babergh and Mid Suffolk Building Services (BMBS), goes live on 1 April 2017, replacing an outsourced arrangements for Babergh and an under-resourced Direct Labour Organisation at Mid Suffolk. Babergh and Mid Suffolk Building Services will undertake the following works:

- Cleaning and caretaking services
- Repair inspections and responsive repairs
- Mechanical and engineering works
- Void works and inspections
- Planned and cyclical works on council houses
- Maintenance of corporate buildings
- External business as obtained through competitive processes

Further detail about BMBS can be found in chapter 13 'Programme Management'.

## **4.6 Property Services**

Property Services fulfils the client role where Babergh and Mid Suffolk Building Services is the contractor. Between them, they manage the maintenance and improvement of the housing stock and more.

### **Stock condition data**

The last stock condition survey was undertaken by consultants Ridge and Partners LLP in 2011. Ridge consultants estimated that at November 2011 6.1% (approx. 215 homes) of the stock did not meet the standard and that there was a £108m requirement for capital investment in Babergh's housing stock over the next 30 years. The Council must maintain the decent homes standard going forward.

### **Viability – Housing Asset Management Group**

In order to ensure continuing provision of quality, affordable services more particularly during a period of significant financial constraint, it is essential that the Councils have in place a sustainable strategy for the management of assets. The Councils have an adopted Asset Management Strategy which will help the Councils to address the pressures it will experience in the coming years to make the best decisions in relation to investment and expenditure and to direct resources where they are most needed. The Asset Management Strategy supports the aims of the Council's Joint Strategic Plan.

Babergh and Mid Suffolk have a Housing Asset Management Group with the main objective of assessing works programmes, carrying out options appraisals, considering wider initiatives, monitoring and reviewing performance and taking ownership of the Decent Home standard.

## **4.7 Financial Inclusion**

The Financial Inclusion team, made up of Tenancy Support Officers, support our most vulnerable tenants with financial advice, support and signposting. The Tenancy Support Officers currently support the county wide poverty strategy which embeds the key aims of the fuel poverty strategy within the organisation. The key themes of the strategy are to extend financial inclusion and improve people's financial skills, to reduce levels of food and fuel poverty, to reduce levels of child poverty, to improve people's skills and employment prospects and to reduce health inequalities.

Our improvement programmes include energy efficiency measures that enhance the housing stock's Standard Assessment Procedure (SAP) ratings. This will reduce energy consumption for tenants and promote the use of innovative energy efficient fuel systems such as ground and air source heat pumps. We aim to bring real achievements in reducing fuel poverty to some of the most vulnerable members of the community.

## **4.8 Development and Regeneration**

The Investment and Development team is developing a pipeline of new HRA homes development using HRA resources including: earmarked development funds; Right to Buy receipts; Homes and Communities Agency Grant Funding; existing HRA owned land such as garage sites. Housing developments will also be brought forward by taking opportunities which arise within the HRA estate by making best use of our existing HRA assets to maximise development opportunities:

- Turnover of HRA homes – voids
- Garden severances and infill opportunities
- Garage site opportunities

- Review of existing housing that is no longer fit for purpose as a result of low demand or the asset is uneconomical to maintain or has a high value
- Joint ventures with neighbouring landowners

#### 4.9 Performance Management

##### Voids

The current voids target days for re-lets is 28 days. The table below outlines overall re-let times for all types (standard, major works and mini majors i.e. kitchen/bathroom replacements) for both Councils.

	2012/13	2013/14	2014/15	2015/16	April 2016 - November 2016
<b>Number of days</b>	27	52	45	43	24

##### Rent collection

Percentage of Local Authority Housing Rent collected	2014/15 (Target 98%)	2015/16 (Target 98%)
Quarter 1	98.55%	98.78%
Quarter 2	98.39%	98.26%
Quarter 3	98.59%	98.61%
Quarter 4	98.61%	98.21%
As at August 2016		98.55%

##### Tenant Satisfaction

From our 2014 STAR survey, 88% of tenants that responded were satisfied with the services provided by us as their Landlord. This high rating demonstrates the high regard that tenants of Babergh have for us as their landlord.

We are developing new satisfaction surveys for our transactional based services such as our lettings process. We are also looking to introduce ways for tenants to rate their satisfaction with us over various means including web and mobile technology.

##### Right to Buy sales

2013/14	2014/15	2015/16	April 2016 – November 2016
20	23	21	15

##### Development

##### Houses purchased through use of Right to Buy Receipts

	2012/13	2013/14	2014/15	2015/16	2016/17
1 bed	0	0	0	2	1
2 bed	0	0	0	2	5
3 bed	0	0	0	0	0
4 bed	0	0	0	0	0
5 bed	0	0	0	0	0

<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>6</b>
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### **New builds to be completed during 2017**

<b>1 bed</b>	<b>2 bed</b>	<b>3 bed</b>
12	9	6

#### **4.10 Complaints**

Following a successful trial, we have introduced a new process when responding to complainants. This new process ensures that a response to a complaint is reviewed by an independent officer before issuing. This will ensure that we are meeting our own commitments within our complaints process and that tenants are receiving a clear and fair response to their complaint. Hopefully this will see a reduction in complaints moving onto stage 2 and the Housing Ombudsman.

## **5 HOUSING STRATEGY**

### **5.1 Housing Enabling**

The Housing Enabling function sits outside of the HRA within the Strategic Planning Team which also incorporates Planning Policy, Neighbourhood Plans, Infrastructure Strategy, Community Infrastructure Levy (CIL) and Housing Strategy. Work encompasses housing across all tenures. The team works in partnership with parish Councils, registered providers (housing associations) and private developers to deliver new homes of the right type, of the right tenure and in the right places, which will include affordable housing, self / custom build housing, private rental housing and homes for the open market, as well as continuing to support the delivery of new homes to meet the housing needs of Gypsies and Travellers, military personnel and groups at risk of social exclusion. Increasing the range of housing options for older households is also a priority for this team.

A new joint BMSDC Housing Strategy is on track for spring 2017. The strategy will describe the steps BMSDC is taking to ensure housing is delivered alongside providing housing support for vulnerable groups.

### **5.2 Joint Local Plan**

Current adopted planning policy for Babergh is set out in the Babergh Core Strategy 2014 and the saved policies of the Babergh Local Plan 2006. The current housing requirement for the District is 5,975 over the period 2011 – 2031 (220pa 2011 – 16 and 325pa 2016 – 31).

Babergh and Mid Suffolk District Councils are producing a new Joint Local Plan which will establish new housing requirements for the Districts to 2036 (aligning the Councils with Suffolk Coastal and Ipswich) and will identify locations for new homes, jobs and infrastructure.

As part of the production of the new Local Plan, the Councils have recently commissioned a new Strategic Housing Market Assessment (SHMA), along with Ipswich Borough Council and Suffolk Coastal and Waveney District Councils. The SHMA is required by the National Planning Policy Framework. The new SHMA will recommend the percentage of affordable housing required on new developments and will contain evidence of housing need by type, tenure, affordability, household types and ages. The evidence will be provided at district (and whole Housing Market Area) level. The SHMA will link with the Council's Housing Strategy and is a key piece of evidence for the new Joint Local Plan.



Alongside the SHMA, and as part of the same commission, the Councils are also carrying out a new assessment of the accommodation needs of Gypsies and Traveller needs, military housing needs and specialist accommodation needs.

There are close links between the Local Plan and the HRA Business Plan: the housing need information from the SHMA contained in the Local Plan will influence the type and location of housing that the HRA chooses to build. In turn, housing development arising from the HRA Business Plan will contribute towards the requirements of the Local Plan.

## 6 RISK

Risk management is a vital element of the Business Plan. Risks can broadly be divided into three categories.

Firstly there is Corporate Risk, affecting the organisation at the highest level and often across a range of functions. These risks are identified in the Significant Business Risk Register, which is held centrally on the Connect intranet and reviewed annually by the Senior Leadership Team.

Secondly, is the risk which is specific to a particular project or work stream, which will be identified by the project lead at the business cases stage, re-visited in greater detail at the detailed planning stage and closely monitored as the project progresses.

The final category is day to day business risks. In some cases, projects have been specifically designed to mitigate against the day to day risks, for example, the Income Management Strategy is intended to reduce the impact of welfare reform measures such as Universal Credit.

It should be noted that where work streams are in their early stages, the detailed work around risk and mitigation is still to be completed. It is clear, however, that there are a few key risks to the HRA Business Plan and its ability to deliver the vision for Housing.

We have included some key risks below under themes. Others key risks which have already been identified have been included under specific projects in section 8 'Programme Management'.

### 6.1 Financial

Self-financing gives councils control over their own financial affairs, which includes ensuring that the HRA remains sustainable. This is no small task given the annual turnover of around £16million, the range of services delivered by Housing and the changing landscape in terms of rents, Welfare Reform, high value assets and Right to Buy re-invigoration.

The HRA Finance Team have been working with the Chartered Institute of Housing Financial Consultancy to 'stress test' the HRA Business Plan model against all of the known financial threats (details can be found in the Financial Analysis section of this report).

The greatest risk to the sustainability of the HRA at this time is the levy on the sale of high value assets (HVAs). The Autumn statement provided a stay of execution by announcing that this will not be introduced in 2017/18. However, we must plan for it to become a requirement from the following year. The size of the levy remains unclear at the time of writing.

### 6.2 Productivity

Babergh and Mid Suffolk Building Services (BMBS) will go live in April 2017. The forecasts in the BMBS Business Plan approved by Members are conservative in all areas. However, should

productivity fall below the forecast levels the balance of Plan will soon begin to tip towards a deficit rather than a surplus.

A number of measures are planned in order to maximise productivity. A new Corporate Manager joined BMBS in December 2016. One of his first tasks will be to recruit four Team Leaders to provide the tradesmen with the much needed support and supervision they have lacked for the past four years. Mobile technology now enables jobs to be sent and signed off electronically. New vans have been ordered and work scheduling software will be investigated after the service has gone live.

### **6.3 Health and Safety**

The Housing Service is responsible for some high risk activities in terms of health and safety: gas servicing; working at height; working with dangerous substances to name just a few. Officers have been reviewing our processes in respect of health and identified that more can be done to protect the organisation. Some examples of additional measures include:

- the employment of a CDM specialist to support Property Services and BMBS (as well as Building Control and Public Realm).
- the introduction of a corporate health and safety dashboard.
- a revised programme of training and toolbox talks for BMBS.
- inclusion of health and safety measures in performance management reporting

### **6.4 Reputation**

Transformation by definition involves significant change and this will not always be popular. The sheltered housing review is an example of a well progressed project which has met with some adverse press coverage and some resistance from both officers and Members. Thorough consultation with stakeholders and a robust communications strategy are vital to enhancing the reputation of the Council through the change process. Our new ways of working projects such as: the review of tenant services; Babergh and Mid Suffolk Building Services; and the home ownership review all have the potential to be controversial. Delivery will become even more difficult if our reputation as a fair and considerate landlord is damaged.

Proactive monitoring of risks will be required in future to ensure changes are effectively identified and appropriately and proactively mitigated or managed. The ongoing budgetary management process for the HRA will also help to mitigate the risks. Additionally, the risk process will be integrated into the decision making processes of the Council.

## **7 FINANCIAL ANALYSIS**

This section sets out the current forecast of HRA income and expenditure over the next 30 years, together with the financial issues that arise from those expectations and an assessment of the major changes to plans which would have a significant impact on the financial position.

Babergh is in a strong financial position with a current Headroom of £13.1m which will increase to £18.1m by 2021. The Headroom is the amount of money the Council can borrow before reaching its Debt Cap of £97.8m.

To enable Babergh to understand what the financial implications of its Capital programme and the Governments HRA reforms will be over the next 30 years, a Business Plan financial model has been produced by Chartered Institute of Housing Consulting. The Business Plan will also feed into the budgets and business planning cycles. The key assumptions used in the model are:-

- A mix of loans will be taken out for the settlement payment which gives us some predictability around interest rates but gives us flexibility for refinancing as the plan develops over time (for example if we want to increase investment in regeneration or new build).
- Housing Related Support Grant (HRS) for Supported Living will end in 2018.
- We will continue to invest in service delivery at current levels but look for efficiencies and greater effectiveness in service improvements and through the service transformation and integration with Mid Suffolk District Council.
- The model will be rolled forward each year and is currently based on 2016/17 HRA Budgets and a five year Capital programme. This will be updated once the HRA Budgets for 2017/18 have been agreed. It is currently anticipated that there will be a £1.3m savings on Capital spend in 2016/17.
- We will continue to invest in the current stock in line with the needs of the Babergh Standard. We will operate a depreciation policy in line with CIPFA guidance which covers the individual components within the stock.
- Our minimum working balance for the HRA is £1million.
- We will develop options for additional investment taking into account information about the stock, long term asset needs and the opportunities for investment set out in this summary.

The Council has made assumptions within the Business Plan model due to new Government proposals which are shown in the table below:

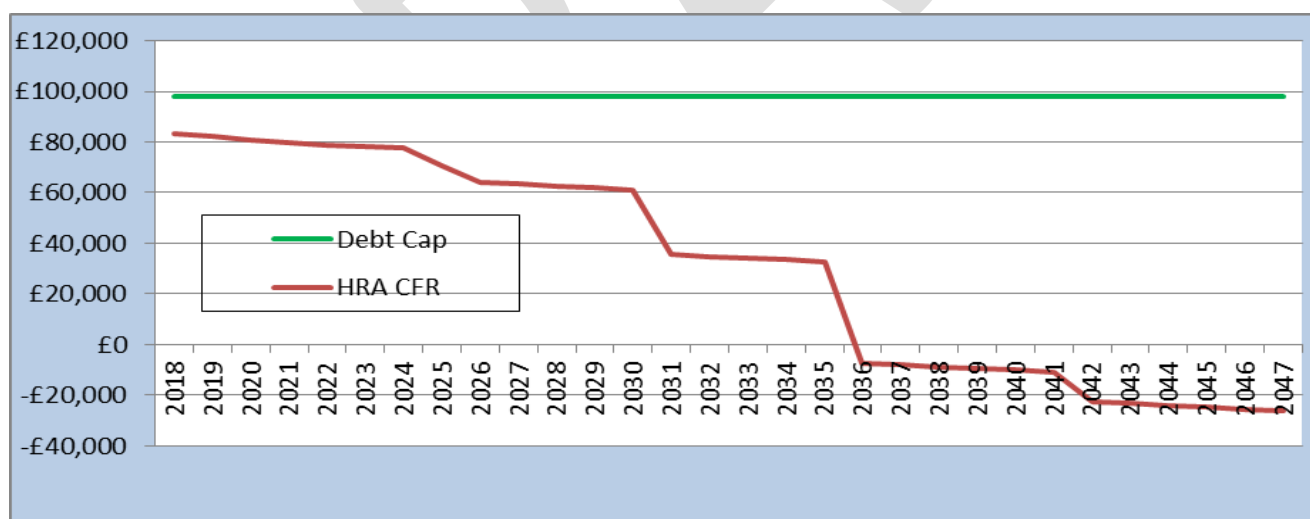
<b>Description</b>	<b>Current Assumption</b>
Basis for settlement – listing the key components and funding elements	Potential to repay settlement loan by Year 25
Property changes over the plan	RTB sales increased to 25 per annum as discount increased and is currently 70% with a cap of £77,900 (increasing by CPI each year)
Economic – inflation and interest rates	2.5% core inflation, 1% rent reduction for 4 years 2016/17 to 2019/20 then 3% inflation, interest rates stable at 3.29% long term, except existing borrowing
Rents – rent decrease RPI/CPI + assumptions	RPI basis changed to CPI + 1 %.Welfare and Work Reform Act 2016 introduced social rent decreases of 1% for 4 years starting 2016/17, then proposed 3% long term rent increases (i.e. assuming CPI + 1%)
Management costs	Inflation long term at 2.5%

Repairs costs	Inflation long term at 2.5%
Capital profile	Babergh Standard on existing stock moving with 2.5% inflation but this will be reviewed after the Stock Condition Survey
Assumptions of efficiencies being delivered	All inflationary pressures above main inflation absorbed

### Headline Outputs for Self-Financing (HRA Reform)

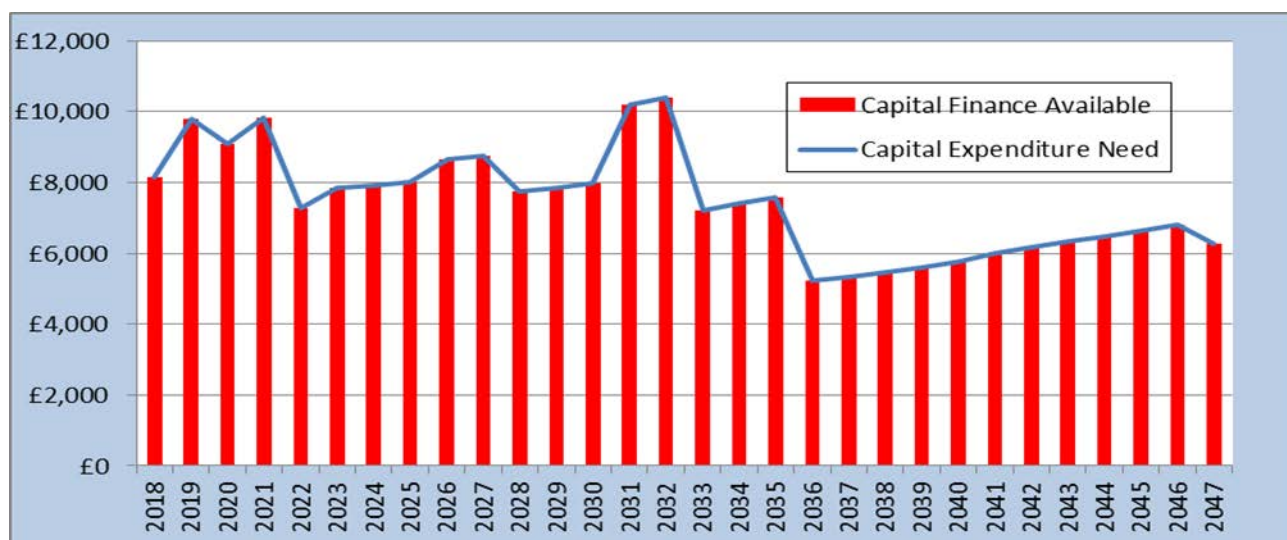
The debt taken on to fund the self-financing payment of £83.6m is repaid within 30 years. The Business Plan assumes that Loan repayments are made of £6m in 2024/25 and 2025/26, £25m in 2030/31 and £47m in 2035/36. This demonstrates clear viability on the basis of the assumptions within the plan; however this does not include reforms suggested under the Housing and Planning Act 2016. Comparison with the debt cap of £97.8m is also shown.

The chart below shows the HRA Capital Financing Reserve and Debt Cap in £000's.



The Base position projections forecast that the income generated by rent and from other sources will be more than sufficient to pay for the ongoing management and maintenance costs of the Council's housing stock, the anticipated future capital expenditure and the interest and principal repayments on the settlement loan.

The chart below shows the Capital Expenditure vs Capital Finance available in £000's.



### Capital Spend

Capital budgets for the next five years is budgeted at £26m on planned maintenance and £18.1m on New Build and and acquisitions. However, there is a forecast underspend in 2016/17 of £1.3m due to Capital work being stopped until the Stock Condition data has been reviewed. As a result of this, the Budget for 2017/18 has a contingency amount in it based on the February 2016 HRA Business Plan. This will be split over individual areas once data from the Stock Condition Survey of 2011 has been checked and a revised and evidence based Capital programme has been prepared and agreed.

Five year Capital Projections are below and 30 year Capital Projections in Appendix A.

#### HOUSING 5 YEAR CAPITAL PROJECTIONS

##### Babergh District Council

Year	2017.18	2018.19	2019.20	2020.21	2021.22
£'000	1	2	3	4	5
<b>EXPENDITURE:</b>					
Planned Variable Expenditure	0	0	0	0	-7
Planned Fixed Expenditure	-4,451	-6,335	-5,358	-5,794	-3,066
Disabled Adaptations	-200	-200	-200	-200	-200
Other Capital Expenditure	-3,040	-3,200	-3,520	-3,840	-4,000
New Build Expenditure	-469	-53	0	0	0
<b>Total Capital Expenditure</b>	<b>-8,161</b>	<b>-9,788</b>	<b>-9,078</b>	<b>-9,834</b>	<b>-7,273</b>
<b>FUNDING:</b>					
Major Repairs Reserve	2,762	2,721	2,101	2,253	2,684
Right to Buy Receipts	66	66	66	66	66
HRA CFR Borrowing	0	0	0	0	0
Other Receipts/Grants	66	0	0	0	0
HRA Reserves	912	4,368	1,056	1,152	1,200
Revenue Contributions	4,354	2,633	5,854	6,363	3,323
<b>Total Capital Funding</b>	<b>8,161</b>	<b>9,788</b>	<b>9,078</b>	<b>9,834</b>	<b>7,273</b>

### Revenue Spend

The HRA Business Plan model is used to forecast Dwelling rent and other income, Loan interest payments and RCCO.

Assumptions have been made as follows:

- Salaries will increase by 1% plus increments where staff at not at the top of the scale

- Major contracts will increase by 3%.
- The five year breakdown of where income is spent on revenue is shown in the table below and the 30 year breakdown is in Appendix B.

## HOUSING 5 YEAR REVENUE ACCOUNT PROJECTIONS

### Babergh District Council

Year	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23
£'000	1	2	3	4	5	6
<b>INCOME:</b>						
Rental Income	16,244	16,092	15,949	16,371	16,819	17,293
Void Losses	-150	-149	-148	-152	-156	-160
Service Charges	540	538	552	565	580	594
Non-Dwelling Income	192	197	202	207	212	217
Grants & Other Income	38	39	40	41	42	43
<b>Total Income</b>	<b>16,864</b>	<b>16,716</b>	<b>16,594</b>	<b>17,032</b>	<b>17,497</b>	<b>17,987</b>
<b>EXPENDITURE:</b>						
General Management	-2,101	-2,340	-2,398	-2,458	-2,520	-2,583
Special Management	-1,116	-1,144	-1,173	-1,202	-1,232	-1,263
Bad Debt Provision	-76	-75	-74	-76	-78	-80
Responsive & Cyclical Repairs	-2,141	-2,218	-2,330	-2,448	-2,602	-2,667
<b>Total Revenue Expenditure</b>	<b>-5,434</b>	<b>-5,777</b>	<b>-5,976</b>	<b>-6,185</b>	<b>-6,432</b>	<b>-6,593</b>
Interest Paid	-2,803	-2,774	-2,727	-2,694	-2,665	-2,646
Finance Administration	0	0	0	0	0	0
Interest Received	18	148	184	173	188	230
Depreciation	-2,721	-2,721	-2,721	-2,721	-2,789	-2,859
<b>Net Operating Income</b>	<b>5,924</b>	<b>5,592</b>	<b>5,355</b>	<b>5,606</b>	<b>5,798</b>	<b>6,119</b>
<b>APPROPRIATIONS:</b>						
Revenue Contribution to Capital	-4,354	-2,633	-5,854	-6,363	-3,323	-3,566
<b>Total Appropriations</b>	<b>-4,854</b>	<b>-3,133</b>	<b>-5,854</b>	<b>-6,363</b>	<b>-3,323</b>	<b>-3,566</b>
<b>ANNUAL CASHFLOW</b>	<b>1,070</b>	<b>2,459</b>	<b>-499</b>	<b>-756</b>	<b>2,476</b>	<b>2,553</b>
Opening Balance	7,632	8,702	11,161	10,662	9,905	12,381
<b>Closing Balance</b>	<b>8,702</b>	<b>11,161</b>	<b>10,662</b>	<b>9,905</b>	<b>12,381</b>	<b>14,934</b>

### Financial Issues

The business plan modelling and associated work has identified the following as important financial issues.

#### Rent Decrease

The four year 1% rent decrease introduced in the Welfare Reform and Work Act 2016 from 2016/17 has had a major effect on the resources available to the HRA. We have assumed that Rent increases of CPI +1% will be applied from 2020/21 but any changes to this will further reduce income and the amounts available for additional investment in the short and long term.

#### New Duties and Initiatives

The HRA Planning Act 2016 has proposed a new Higher Value Asset (HVA) Levy, to fund the discounts Housing Associations will have to give after introducing Right to Buy (RTB). In the Autumn

Statement November 2016, it was announced that the Housing Association's pilot scheme for RTB's would be increased to a larger area so the HVA Levy will not be introduced in 2017/18.

It also proposed the end of Lifetime Tenancy which will result in new cost and time pressures to the HRA. Both timescales and detailed requirements have not yet been determined by the government so detailed planning has not yet taken place to identify how this work will be resourced and the likely cost implications.

### **HRA Reserve**

One way in which the HRA can be protected against risk is to hold an appropriate level of reserves. The financial model underpinning the business plan assumes a constant reserve of £1m is held for the life of the plan, which is in line with current levels.

## **8 PROGRAMME MANAGEMENT**

A series of programmes and projects have been developed to transform the Housing Service and deliver new housing initiatives using the headroom available within Babergh's HRA. They will deliver a range of benefits and are aligned to deliver one or more of the key outcomes identified in the Joint Strategic Plan.

- Financial Control – a set of activities designed to improve financial controls, reporting and traceability.
- Meeting Housing Need - a programme of work to make housing stock and schemes appropriate for the districts' needs and cost efficient.
- New Ways of Working – a series of initiatives to improve processes through re-organisation, new technology and adopting best practices.

There are variations in the development of the programmes with some having well developed goals and projects within them, whilst others are in the early stages of definition. Members and staff can find more details of individual programmes and projects on the Council's intranet, Connect, which is kept updated by the project leads.

Below outlines the key programmes for the next five years.

### **8.1 Financial Control**

#### **8.1.1 Business plan modelling**

The Business Plan financial model created and supported by the Chartered Institute of Housing enables us to forecast income and expenditure and their impacts on the financial health of the HRA over a 30 year period.

There are a number of unknown factors which will have a significant impact on the HRA finances. Scenario Testing is important in order to assess the relative scale and impact of changes from the base assumptions in the HRA Business Plan financial model. The following sensitivities have been modelled with the results detailed in Table A below.

#### **i) Higher Value Asset Levy**

The Autumn Statement delayed the implementation of the Higher Value Asset Levy from April 2017. The advice from the Chartered Institute of Housing to not factor an estimated figure into the Business Plan model. However, we have scenario tested an additional cost to Capital of £750k per year from 2018/19, in anticipation of the levy figure being announced during 2017/18. This would reduce the level of Capital available thereby reducing Babergh's Headroom and increasing our

likelihood of reaching the Debt Cap. Overall this would decrease the resources available to the HRA over the 30 years of the plan by £21.75m.

## ii) Building costs

Building costs often increase at a higher rate than general inflation, and there are published tables of Building Cost Inflation, which apply to both new build work and building maintenance and improvement. If these costs were to increase year on year by 1% more than the general rate of inflation, then this would reduce resources available to the HRA by £33.1m and it would take an additional two years to repay the settlement loan.

## iii) Rents

The HRA financial model is predicated upon annual rent increases of 3% (assuming CPI is 2%). The model already shows a significant downturn in income due to the imposition of a 1% rent reduction for four years (2016 – 2019). A further loss of 1% per annum, whether due to Government restrictions or continued low interest rates will reduce income over the 30 year life of the plan by an additional £73.9m.

## iv) Right to Buy sales

Babergh's business plan originally assumed seven Right to Buy sales per year. The Council sold twenty five properties in 2015/16. The Council has agreed to retain Right to Buy Receipts to reinvest in new council housing. These receipts must be match funded (70:30) from HRA funds. As the number of Right to Buy sales increases or decreases, the amount of match funding to be found from the HRA varies.

**Table A Sensitivities against the base Business Plan**

<b>Sensitivity</b>	<b>Yr 30 HRA Base Position £m</b>	<b>Yr 30 ("Cost") / Benefit to HRA £m</b>
Base Position	122.2	-
High Value Asset Levy £750k	100.4	(21.8)
1% increase in CPI	162.0	39.8
1% reduction in CPI	91.2	(31.0)
1% annual increase in capital programme building costs	89.1	(33.1)
Rents increased only by CPI	48.3	(73.9)
2 extra Right to Buy sales per year	101.2	(21.0)
5 less Right to Buy sales per year for four years	165.1	42.9

### 8.1.2 BMBS trading account



The new Babergh and Mid Suffolk Building Services (BMBS) team will carry out responsive repairs and programmed works from April 2017. The new team will replace the outsourced contract with Morrisons in Babergh and internal Direct Labour Organisation in Mid Suffolk.

The BMBS business plan forecasts a surplus in year two of trading (2018/19) onwards and will be closely monitored by the BMBS Corporate Manager and Professional Lead HRA Accountant. The five year business plan is below:

BMBS Forecast	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Expenses</b>					
Employee Costs	1,719,677	1,736,872	1,960,777	1,980,384	2,000,189
Premises	12,000	12,120	12,241	12,363	12,487
Transport	111,000	111,000	129,000	129,000	129,000
Supplies and Services	2,110,048	2,147,773	2,192,383	2,245,725	2,306,460
<b>Total Expenses</b>	<b>3,952,725</b>	<b>4,007,765</b>	<b>4,294,401</b>	<b>4,367,472</b>	<b>4,448,136</b>
<b>Income</b>					
Capital and Planned Maintenance	-1,900,000	-2,090,000	-2,299,000	-2,528,000	-2,781,000
Responsive Repairs	-1,906,700	-1,932,800	-1,961,510	-1,993,091	-2,027,830
General Fund	-50,000	-55,000	-60,500	-66,550	-73,205
External Income	-50,000	-55,000	-60,500	-66,550	-73,205
<b>Total Income</b>	<b>-3,906,700</b>	<b>-4,132,800</b>	<b>-4,381,510</b>	<b>-4,654,191</b>	<b>-4,955,240</b>
<b>Net (Surplus)/Deficit</b>	<b>46,025</b>	<b>-125,035</b>	<b>-87,109</b>	<b>-286,719</b>	<b>-507,104</b>

### 8.1.3 Income management strategy

A five year strategy has been agreed to maximise the income collected by the Council in the face of the most significant welfare reforms in many decades. Universal Credit (UC) is the flagship policy reform, designed to reduce dependence on the state and encourage people to find work. UC will be rolled out in Mid Suffolk at the start of 2018. The pilot schemes have invariably found that rent arrears have increased.

Our Income Management Strategy focusses on the collection of rents and bad debts, the culture and attitudes of government, tenants and partners and opportunities offered by new and existing technologies and services.

### 8.1.4 Rent Policy

Babergh has been planning, acquiring, and developing new council homes since self financing in 2012. Further changes to the housing costs our tenants can claim through welfare benefits require that we have clear policy around rent setting. This will affect dwellings newly built and acquired and possibly some re-lets. A report will be presented for Members consideration in Summer 2017.

## 8.2 Meeting Housing Need

### 8.2.1 Stock condition data project

Robust stock condition data enables the Council to plan and to budget for the work required to maintain the housing stock in a reasonable and lettable condition. Accurate data provides confidence that HRA funds are spent on the right work in the right places.

Babergh last undertook a stock condition survey in 2011, sampling 23% of the housing stock. The data was used to plan the 30 year capital programme in the 2012 Business Plan, which has been rolled forward each year.

A project is underway to update the data to enable an evidence based programme of capital works to be designed for 2017/18 and the following two years. In the meantime, all non-essential work has been ceased, resulting in a forecast underspend of £1.3million against the capital programmes budget for 2016/17.

The Babergh Decent Homes Standard and Lettable Standard will be reviewed as part of the stock condition data project.

A fresh sample stock condition survey will be required in 2019/20.

### **8.2.2 Estate regeneration**

The estate regeneration project aims to improve the match between housing applicants need and available stock. This will be achieved by increasing the opportunities to allocate stock to applicants by:

- Reconfiguring individual properties to better meet housing need.
- Adjusting the portfolio of stock through disposals, acquisitions and new build.
- Redeveloping garage sites.
- Making better decisions when allocating stock using tools and techniques, e.g. viability modelling.
- Commission a desk top exercise to identify all regeneration opportunities on Council owned sites.
- Regeneration of sites which are beyond economic repair.

The project will also consider whether changing the tenure of some of the housing stock would better serve the community. For example, some low demand rented stock might be better suited to shared ownership. Welfare reform measures due in 2019 will increase the need for shared housing for people under 35. The project will explore the options for leasing some properties to partner agencies specialising in supported shared housing to meet this need.

By making best use of housing assets and effective stock utilisation the project will help deliver one of the key strategic outcomes identified in the Joint Strategic Plan: Housing Delivery – More of the right types of homes, of the right tenure in the right place.

### **8.2.3 Sheltered housing review**

Babergh currently has 270 sheltered housing units spread across 20 schemes. The bulk of the sheltered housing review will be completed by April 2017 with the following outcomes:

- Providing independent living for the over-60s with minimum support.
- Appropriate schemes now and in the future to meet the older community's housing needs.
- Appropriate stock allocation now and in the future to meet individual's needs and ensure the most in need are prioritised.
- A cost effective service that remains within budget through a robust service charging regime.

Still to be completed:

- Where a scheme is identified as having potential for full or partial redevelopment, recommendations will be brought to members when a full appraisal has been undertaken.

- Investigate the option of leasing Babergh's two Very Sheltered Housing schemes to a housing association on a long term lease.
- Collaborate with Adult Care Services and the voluntary sector to form a vision of future housing provision for older people.

#### **8.2.4 Older Persons Housing Vision**

The importance of appropriate and good quality housing to the short and long term health and wellbeing of individuals is widely acknowledged in Suffolk. The Suffolk Health and Wellbeing Board have formally launched a Housing and Health Charter recognising the importance of collaborative working between Housing, Health and Social Care; including an agreed set of commitments that will inform and influence the future direction of all partners throughout the Suffolk System.

This collaborative approach is crucial to ensuring that future housing provision across all tenures meets the needs and aspirations of older people living in Suffolk. The recent Strategic Review of Specialist Housing in Suffolk drills down into variables that enable us to gain some understanding of which proportion of the current population of Suffolk are likely to be in need of the care and support services aligned to specialist housing. These variables have then been used to create projections as to how that level of need may change over time, which has also been compared and contrasted with more generalised population changes. The Review enables us to quantify likely demand over time broken down in relation to district and borough areas.

The review examines different models of housing to aid understanding of what currently works well in supported housing and will help the Councils to design future supply to meet the needs of those needing specialist/supported housing, including older people.

#### **8.2.5 Housing Need Intelligence Project**

The Joint Strategic Plan is clear that the Council will ensure that decisions are based on good intelligence and evidence. This project will for the first time ensure that all sources of data available to the Council are utilised to provide the clearest possible picture of housing need across the district. This will bring together data from:

- Gateway to Homechoice
- The Strategic Housing Market Assessment (housing need and affordability data)
- Local Housing Needs Surveys
- The Suffolk Housing Needs Survey 2014
- Neighbourhood Plans
- The Suffolk Strategic Review of Specialist Housing
- The Housing Strategy
- Objectively Assessed Housing Need (calculated from ONS statistics and used to determine housing delivery numbers in the Joint Local Plan)
- Homelessness data

This co-ordinated data will be used to inform our: Older Persons Housing Vision; New Build and Acquisitions Programme; and Estate Regeneration Project, as well as future allocations policies and housing policies within the new Joint Local Plan.

## 8.2.6 New Build and Acquisitions Programme

Babergh's HRA has headroom of £14.3million in 2017/18 rising to £18.9m in 2021/22, making a strong programme of new building and acquisition of council housing a priority for the Council. While we build our intelligence base to inform longer term development plans, we have the following development and acquisition activity happening already:

- 27 new homes, funded by an HCA Grant of £473k, are being built at a cost of £3.4m (£2.9m net after HCA grant). The first 12 homes are due for completion in February 2017.
- Right to Buy receipts are being used to acquire new council homes from the open market. In 2015/16 4 were purchased at a cost of £648k and so far in 2016/17 14 have been purchased at a cost of £1.4m.
- 10 homes using HRA funding will be built on recently acquired land - approximate funding required - £850,000. These homes will be built over the five year period 2018 - 2023.
- We will externally commission a desk top exercise which will identify all existing HRA land and potential regeneration opportunities. These opportunities will then be reviewed and appraised to create a pipeline of estate regeneration based delivery. Timescales for this work will be published during February 2017.
- We are working with private developers to secure direct purchase of new build homes.
- We will work with agents to source land opportunities for development. The level of funding required will be dependent on opportunities but a fund will be set aside to support this.
- The existing HQ site in Corks Lane, Hadleigh may provide opportunities for HRA investment in housing. Options for the site will be developed in 2017.

## 8.2.7 Fixed term tenancies

Babergh District Council currently offer new tenants a secure tenancy under the Housing Act 1985<sup>15</sup>. The Localism Act<sup>16</sup> gave local authorities the power to offer fixed term tenancies to new tenants. Subsequent provisions in the Housing and Planning Act<sup>17</sup> will prevent local authorities in England from offering a secure tenancy to people of working age in most circumstances. Offering fixed term tenancies will require new ways of working. Changes include:-

- An amended tenancy agreement
- An updated tenancy policy
- Clear written information for customers
- New processes for carrying out reviews during the fixed term and an appeal procedure for challenges to decisions
- Amendments to the Open Housing database
- Staff training
- Housing Options advice for people whose tenancies are ending
- Provision/encouragement of a range of housing tenures including shared ownership, low cost home ownership and private affordable housing.

Mandatory fixed term tenancies are expected to be implemented in April 2018.

## 8.3 New Ways of Working

### 8.3.1 Babergh and Mid Suffolk Building Services (BMBS)

Babergh and Mid Suffolk Building Services will provide an integrated repairs and maintenance solution and the associated economies of scale for the two Councils. It will provide local employment opportunities, including apprentices, to encourage economic growth. There are clear

<sup>15</sup> Housing Act 1985 - <http://www.legislation.gov.uk/ukpga/1985/68>

<sup>16</sup> Localism Act 2011 - <http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted>

<sup>17</sup> Housing and Planning Act 2016 - <http://www.legislation.gov.uk/ukpga/2016/22/contents/enacted/data.htm>

financial and non-financial performance targets that BMBS will need to achieve and these will be closely monitored to ensure customer satisfaction, income, and business growth is achieved.

The vision is for BMBS to provide a 'first port of call' for Repairs and Maintenance and Capital Programmes delivery where there is demonstrable synergy with BMBS's core functions. The business case for BMBS includes:

- The potential to increase its income by approximately 27% over 5 years through maximising potential works from the Council and by increasing 'third party' income opportunities. It is predicted that income will rise by approximately £1 million during this period.
- Generation of a surplus – with sufficient volumes of work and productivity to cover costs, BMBS is able to generate a surplus. This is similar to the profits made by private sector companies. This surplus contributes to the Council's HRA and potentially diminishes if work is unnecessarily outsourced.
- Use of resources – the majority of BMBS costs are fixed and utilising these resources helps to generate the income needed to 'pay' for these costs.
- Local employment – the majority of BMBS staff live locally and spend their income within the local economy.
- Contribution to central overheads – BMBS makes a significant contribution, through recharges, to the Council's central overheads and is 'obliged' to use core services provided by the Council (making them viable).
- Income generation – BMBS is an income generator not only in terms of the Council budgets but also in being able to provide services for third party organisations. To do this successfully, it must have 'scale' and 'capacity'.
- Employment & training – ongoing throughput of work enables BMBS to create local employment opportunities and there are plans to commence an apprentice programme. This can only work if there is sufficient volume of 'predictable' work.
- Ultimate guarantee – allocating work to BMBS provides the ultimate guarantee. If there are disputes or quality issues, it is wholly within the Council's control to adjudicate an outcome and resolution.
- Collaboration – growing a successful in-house team gives us the potential to work closely with other Social Housing providers across the region providing shared savings and efficiencies, both in service delivery and in procurement of materials, vans etc.

### **8.3.2 Open Housing and Total Mobile**

Phase one is complete and includes:

- consolidation of Babergh and Mid Suffolk's housing databases This was a key step required to allow operations to fully develop a consistent way of working across both districts in later project phases.
- Total Mobile – provision of electronic job sheets on hand-held devices to the trades team and halt the use of paper. This has reduced the amount of time the trades team spend in the office, allowing for more time to spent on repairs and so increasing the number of jobs performed in a day.
- Reduced costs by having just one system instead of two.

An initial scoping exercise for Phase Two, which will make recommendations as to the content, resources, timescales, costs, risks, etc., is being undertaken by the Business Improvement team.

### **8.3.3 Tenant Services Review**

This review will utilise new ways of working to ensure resources are being targeted in the right places and to ensure the service reflects the current needs of our customer base. The project is as much to do with changing culture as changing practices and looks to seize the opportunities offered by the Councils' Transformation and Public Access arrangements and the move to Endeavour House. The Customer Relationship Management technology that the Council will introduce will present the opportunity to gather data about our residents in a co-ordinated manner. Access to this information will enable Housing to target services for the first time and to work in smarter ways, for example focussing on tenants that the data tells us are more likely to fall into rent arrears.

The review process will begin with a working group being set up to look at revising the Council's Anti-Social Behaviour Policy. We will also look at the creation of a new Support and Sustainment Policy. Other areas of work which will commence during 2017 include carrying out community events in order to have a two way conversation with tenants, creation of a digital tenancy and reviewing our case management system by taking advantage of the new consolidated Open Housing system by creating a work flow.

We will pilot a new 'Early Help Delivery Team'. Our vision is for a multi-disciplinary, multi-agency integrated approach where all partners collaborate, coordinate, jointly prioritise and maximise their collective efforts to ensure that individuals and families are better able to achieve success, make healthier choices, be resilient, remain independent, and feel that they have a voice and influence.

This approach will aim to deliver the following outcomes for families and communities:

- People feel safe and secure in their homes, neighbourhoods and their local community.
- People have a decent home that is affordable appropriate to their needs and in a suitable location.
- People report improving levels of personal and social wellbeing and have the skills and attributes to flourish (specific outcomes to be determined but likely to include jobs and employment prospects, healthier more active lifestyles and greater social connectedness).
- People are helped to help themselves reducing the need for and dependency on services.
- People improve their resilience and become more self-sufficient.

#### **8.3.4 Home Ownership Review**

The Home Ownership project will implement the recommendations of a review undertaken by the Housing Quality Network in 2015 of the Leasehold and Right to Buy services. The review recommends the alignment of processes across Babergh and Mid Suffolk, the introduction of clear performance measures and a refresh of leaseholder service charging to ensure that the Council's charge and collect the cost of works to leasehold flats. An experienced project manager has been engaged to deliver the project by November 2017. The outcomes of the project will be:

- Reduced costs
- Increased revenues
- Improved service delivery
- Ensure compliance with S.2 Leasehold Reform Act and Right To Buy statutory timescales

#### **8.3.5 Review of Resident Involvement**

The Council is keen to engage with its tenants and to provide opportunities for them to have a say in how the Housing Service is run. To this end we offer a variety of ways in which residents can participate:

- The Tenants' Forum
- The Joint Housing Board
- The Tenant Scrutiny Panel

- Mystery Shopping
- Tenant Inspectors

Tenants and officers agree that the effectiveness of our resident involvement programme should be reviewed to ensure that all engagement is relevant, serves the purposes of both residents and the Council and provides value for money.

There will be two stages to the project:

1. An independent review conducted by HQN. This is expected to run from January to April 2017.
2. The implementation of the agreed recommendations. These are expected to be implemented from May to September 2018. These timescales will be adjusted depending on the recommendations.

### **8.3.6 Very Sheltered Housing**

We will appraise the options for the future of the two Very Sheltered Housing schemes (VSH), William Wood House in Sudbury and Sydney Brown Court in Hadleigh. Both are owned by BDC and managed by under contract by Orwell Housing Association (OHA). The current management agreement expires in May 2017. The options for consideration are:

- 1) Commission a new management service
- 2) Babergh to take on the management of the schemes and care provision for the residents
- 3) Lease the schemes/facilities to a third party
- 4) Sell the buildings and service as a going concern
- 5) Sell the buildings

Orwell have agreed to a short extension of the management agreement to allow time for the options appraisals and subsequent commissioning of the preferred option.

### **8.3.7 Community Visiting Service**

A Community Visiting Service could potentially serve vulnerable people living in social housing and in private accommodation. A basic support service would simply call on each subscriber daily to ensure that they are alright. Contact details would be held for family members or friends in case of problems. Calls could be either in person or by telephone. A fee would be charged for the service. Early indications are that the charges may be in the region of £15 per week for the telephone service.

Early discussions with the County Council and partner providers suggest that there may be an appetite to support a non-tenure related support service. This would not necessarily be provided by the Council but we would want to influence the set up to ensure the service supports the Health and Wellbeing outcomes that support prevention interventions and reduce cost across the Suffolk System.

## **9 COMMUNICATIONS**

We understand the importance of good communication in both gaining support for and maximising the effectiveness of the work streams within the Housing Revenue Account Business Plan. The following channels will be used to communicate details of the projects:

- Housing Management Team

- Senior Leadership Team
- Portfolio Holder briefings
- Administration meetings
- Strategy and Executive Committees
- Joint Housing Board
- Tenants Forum / newsletters
- Round the Houses Blog on the Connect Intranet

Many of the work streams have bespoke communication plans within the project plans. Further details are available on Connect.

## **10 MONITORING AND REVIEW**

The HRA Business Plan and the programmes and projects therein are all assigned a lead officer who is responsible for driving the work forward and for reporting on progress via the Connect intranet. Reports into Senior Leadership Team, Housing Management Team, Joint Housing Board or Strategy Committee will also be required depending what is specified in the project business case.

## **11 CONCLUSION**

This review of the HRA Business Plan demonstrates that it remains viable over the 30 years even with four years of rent reductions modelled. Viability is judged in that the capital expenditure can be maintained, the HRA does not fall into deficit and that the debt cap is not breached. For Babergh, all of the above apply and the HRA can still repay its outstanding loan debt by year 26.

The plan provides for an ambitious programme of new build and acquisitions, with more to come when there is certainty around the Higher Value Assets Levy. It also sets the Council well on its way to adopting modern technological solutions and more joined up, intelligence based ways of working.

The Council will need to manage the HRA Business Plan robustly and proactively. Income will need to be maximised and costs kept under close review. Provided this is achieved, this Business Plan enables the Council to make a genuine step change improvement in the quality and delivery of social housing in Babergh.

## **12 GLOSSARY OF ABBREVIATIONS**

ART	Affordable Rent Tenancy
BMBS	Babergh Mid Suffolk Building Services
BMSDC	Babergh and Mid Suffolk District Councils
CBL	Choice Based Lettings
CIL	Community Infrastructure Levy
CRM	Customer Relationship Management
DLO	Direct Labour Organisation
DHS	Decent Homes Standard
DWP	Department for Work and Pensions



## Appendix 1

EHDT	Early Help Delivery Team
HCA	Homes and Communities Agency
HHRSR	Housing Health and Safety Rating System
HRA	Housing Revenue Account
HRS	Housing Revenue Account Support Grant
JSP	Joint Strategic Plan
LHA	Local Housing Allowance
NHS	National Health Service
OHA	Orwell Housing Association
RCCO	Revenue Contributions to Capital Overspend
RTB	Right To Buy
RP	Registered Provider
SAP	Standard Assessment Procedure
SCS	Stock Condition Survey

## **13 BACKGROUND DOCUMENTS**

Babergh and Mid Suffolk Building Services Business Plan

Babergh and Mid Suffolk Joint Strategic Plan 2014 – 2019

Babergh and Mid Suffolk Joint Strategic Plan Refresh 2016 – 2020

DWP Housing Benefit / Council Tax Benefit Circular A12/2011 (revised)

End of Term Report 2011 – 2015 (Babergh District Council)

Hidden Needs Report 2011 - 2016

North East Essex West and East Suffolk NHS Sustainability Transformation Plan 2016

The Housing Benefit (Amendment) Regulations 2011 (SI 2011/1736)

## **14 APPENDICES**

A - 30 Year Capital Projection from HRA Business Model – Babergh District Council

B - 30 Year Revenue Projection from HRA Business Model – Babergh District Council

C - Household Data – Babergh District Council

D - Stock Condition Data – Babergh District Council