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	MID SUFFOLK OVERVIEW AND SCRUTINY COMMITTEE
DATE	**Thursday, 15 June 2017 at 9.30 am**
PLACE	**Council Chamber, Council Offices, High Street, Needham Market**

PLEASE NOTE START TIME OF MEETING

Members

Chairman: Rachel Eburne
Vice Chairman: Derek Osborne

James Caston	Lavinia Hadingham
John Field	Lesley Mayes
Elizabeth Gibson-Harries	Kevin Welsby

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A G E N D A

PART 1

		Page(s)
1	**Apologies for absence/substitutions**	
2	**To receive any declarations of pecuniary or non-pecuniary interest by Members**	
3	**MOS/17/1 To confirm the minutes of the Mid Suffolk Scrutiny Committee meeting held on 15 March 2017**	1 - 4
4	**MOS/17/2 To confirm the minutes of the Joint Scrutiny Committee meeting held on 19 April 2017**	5 - 8
5	**To receive notification of petitions in accordance with the Council's Petition Scheme**	
6	**Questions by the Public**	
7	**Questions by Councillors**	

8 Way of Working for the Overview and Scrutiny Committee

The Assistant Director – Law and Governance and Monitoring Officer, to give a presentation on the way of working for Overview and Scrutiny, including outlining the role of Overview and Scrutiny in a Cabinet system and the relationship of the Committee with the Leaders, Portfolio Holders, Cabinet, the Senior Leadership Team, other Members and officers and other stakeholders/partners.

9 MOS/17/3 Follow up of Joint Scrutiny Items 9 - 22

To inform this discussion, the Committee is asked to consider the Outcomes from Resolutions and Recommendations – Mid Suffolk Scrutiny Committee 15 July 2017 and the Forthcoming Decisions List attached as MOS/17/3.

10 Training for Members of the Overview and Scrutiny Committee and Officers supporting the Committee

The Assistant Director – Law and Governance and Monitoring Officer will outline the proposed training that will be offered by the Centre for Public Scrutiny.

11 MOS/17/4 The Housing Revenue Account 30 Year Business and Finance Plan Update 2017 23 - 60

Cabinet Member for Housing – Jill Wilshaw

For further information on any of the Part 1 items listed above, please contact Committees on 01449 724673 or via e-mail at Committees@baberghmidsuffolk.gov.uk.

MID SUFFOLK DISTRICT COUNCIL

Minutes of the Meeting of the **MID SUFFOLK SCRUTINY COMMITTEE** held at the Council Chamber, Council Offices, High Street, Needham Market on Wednesday, 15 March 2017

PRESENT:

Councillors:	Rachel Eburne (Chair)	Lesley Mayes
	Elizabeth Gibson-Harries	Kevin Welsby
	Lavinia Hadingham	Derek Osborne
	Wendy Marchant	

In attendance: Councillors Nick Gowrley and Jill Wilshaw
Arthur Charvonia – Chief Executive
Kevin Jones – Interim Strategic Director
Emily Yule – Temporary Assistant Director – Law and Governance
Val Last – Governance Support Officer
Henriette Holloway – Governance Support Officer

1 **APOLOGIES FOR ABSENCE/SUBSTITUTIONS**

An apology for absence was received from Councillor James Caston.

2 **TO RECEIVE ANY DECLARATIONS OF PECUNIARY OR NON-PECUNIARY INTEREST BY MEMBERS**

There were no declarations of interest.

3 **Y/03/17 - TO CONFIRM THE MINUTES OF THE MEETING HELD ON 26 JANUARY 2017**

RESOLUTION

That the minutes of the meeting held on 26 January 2017 be confirmed as a correct record subject to a minor amendment to correct the spelling of Councillor Paul Ekpenyong

4 **TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME**

None received.

5 **QUESTIONS BY THE PUBLIC**

None received.

6 **QUESTIONS BY COUNCILLORS**

None received.

7 Y/04/17 - HOUSING REVENUE ACCOUNT 30 YEAR BUSINESS PLAN

Kevin Jones, Interim Strategic Director, introduced Report Y/04/17 which enabled Members to examine the work being undertaken to forecast the 30 year financial position of the Housing Revenue Account (HRA) for the District.

The report appraised Members regarding recent changes made to the assumptions contained in the HRA Business Plan, the reasons for the changes and the impact the changes had on the 30 year financial position. It also informed the Committee about the development pipeline of new homes for the Mid Suffolk HRA. A roadmap was set out for the transformation of the role of local authority housing and HRAs in light of the significant financial challenges caused by changes to Government policy, the emerging Suffolk work on housing delivery and the Government White Paper 'Fixing Our Broken Housing Market'.

The Chair noted that the Committee was disappointed that the draft HRA 30 Year Business Plan was unfinished and that the Report was lacking in detail. The Interim Strategic Director explained that the HRA Business Plan was currently being updated and was close to completion and would be presented to the Executive Committee and Full Council in April.

The Interim Strategic Director then gave a presentation titled the HRA Business Plan Review which was based on Report Y/01/17 and attached as Appendix 1. It was explained that Central Government had brought out recent legislation, which had an impact on the HRA budget planning. Although it was a 30 Year Business Plan an annual update was to be provided for Members and Officers would adjust the Business Plan every quarter to incorporate necessary changes. The Government had imposed a Debt Cap on Councils HRA Budgets and Mid Suffolk District Council would potentially exceed this limit. The immediate purpose of the HRA Business Plan was to provide a framework to enable the Council to operate below the Debt Cap and incorporate recent changes brought by the Government. Two impacts on the HRA Budget were the 1% rent reduction introduced by the Government for years up to 2019/20 to reduce the Welfare Benefit Bill and the increase in sales under the 'Right to Buy' scheme which would have a significant impact on the Councils' rental income in the future.

During the presentation Members were informed of the assumptions which formed the basis for the previous HRA Budget and of the adjustments made to these assumptions and the effect they were to have. Future adjustments and assumptions were explained and illustrated further by graphs. The presentation also included information on the Babergh Mid Suffolk Building Services (BMBS), benchmarking and historical approach

Councillor Rachel Eburne clarified to Members the term 'Void' was used as a term for letting vacancies in tenants housing. Members questioned the specific assumptions applied to Rents, Voids and Bad Debts, specifically the financial differences between Babergh and Mid Suffolk District Councils. It was clarified that the differences between Babergh and Mid Suffolk District Councils' performances were a result of the differences in housing stock and stock conditions. Mid Suffolk District Council needed to improve performances in Letting Voids.

The Interim Strategic Director informed Members that the introduction of Universal Credit was predicted to create more rental arrears and increases in Bad Debts, as tenants received the Universal Credit payment directly into their bank accounts, before paying their rent to the council. Members debated the consequences of this new method of payment and queried how this was to be managed and the cost implications likely to be incurred, as Bad Debt cases were likely to rise and reduce rent collection. Members were informed that once Universal Credit was introduced, it would be prudent to allow for a rise in Bad Debt and the management thereof in the HRA Budget. It was expected that the workload was to increase for a period of time, and the team had factored this into the HRA Business Plan.

The Babergh Mid Suffolk Building Services (BMBS) service was to commence on the 1 April 2017 and would be an in-house service. A review of the BMBS business plan was nearing completion and the updated forecasts would be included in the final version of the HRA business plan being prepared for the Executive Committee meeting on 10 April 2017.

The historic approach and the proposed way forward were outlined together with proposed mitigation measures for efficiencies, inflation, and variable cost.

In response to a Member's question relating to the reduction in staff costs which was expected with the merging of services it was explained that although the joining of the two Councils had resulted in savings, staff progression through the pay scale and the 1% salary increase generated a year on year increase in costs and was reducing the savings. Any allocation of staff costs to the HRA Budget would be reasonable and auditable.

Members debated the reduction of housing stock due to the Right to Buy and the forecast for the next 5 and 10 years. It was presumed that as the Councils' housing stock reduced the costs of repairs would also then be reduced. Members questioned the information on the cost of maintaining the housing stock and compared this to the national benchmark. It was noted that Mid Suffolk District Council spent nearly twice as much on Responsive Repairs as Babergh District Council. This could be caused by the difference in the condition of the housing stock but a better balance should be achieved. Some form of out of hour's emergency insurance was debated but officers had not considered this option as the BMBS was expected to cover this area.

The way Housing Voids were managed was questioned. Performance to date this year had improved although it was recognised that there was still a need for improvement.

Members debated the way forward regarding housing stock and how dwellings were sold through the Right to Buy Scheme and new houses were being built. In the HRA Budget Plan, Mid Suffolk District Council is forecasting to sell 32 dwellings every year over the next five years, and these could not be replaced at the same rate within the Council's stock. Councillor Eburne advised that the houses were not 'lost' but were no longer let by the Council. New homes were being built in the District so the housing stock increased overall. The Chief Executive confirmed that the strategic objective was to grow the overall housing stock in both districts.

The Interim Strategic Director explained that Appendix 1 had been created to illustrate the budget for staff and front line manager and that the figures required updating, and should be regarded as a work in progress.

Members were advised that more details for the HRA Budget would become available in the coming months and the 30 Year Business Plan was to be ready for the full Council Meeting in April.

Throughout the meeting several requests were made by Members regarding the layout of the Report:

- That the Y and X axis and the 'Debt Cap Impact MSDC' and 'Ability to Fund Capital Costs' graphs were amended to read the money in £ millions and the actual individual years and not the numbers of years.

- A line to illustrate the Debt Cap on each graph.

- That any evidence or sources were referenced such as that the HRA Budget Plan was based on an industry model developed by the Chartered Institute of Housing.

It was confirmed that the Joint Housing Board had considered the report and provided input.

Councillors Derek Osborne and Kevin Welsby proposed and seconded the recommendation respectively.

By a unanimous vote

RESOLUTION

That the approach being taken to deliver a sustainable Housing Revenue Account 30 Year Business Plan be endorsed

The Business of the meeting was concluded at 11.00 a.m.

Note: Councillor Elizabeth Gibson- Harries left the meeting at 10.30 a.m.

……………………………………………..
Chairman

BABERGH DISTRICT COUNCIL

MINUTES OF THE MEETING OF THE JOINT SCRUTINY COMMITTEE HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, CORKS LANE, HADLEIGH ON WEDNESDAY, 19 APRIL 2017

PRESENT: Mark Newman – Chairman

Peter Burgoyne
James Caston
Rachel Eburne
Alan Ferguson
Lavinia Hadingham
Bryn Hurren
Wendy Marchant
Fenella Swan
Kevin Welsby

The following Members were unable to be present:

Barry Gasper, Elizabeth Gibson-Harries, Lesley Mayes and John Nunn.

In attendance:

Gerard Brewster
Julie Flatman
Margaret Maybury

20 DECLARATION OF INTERESTS

None declared.

21 CONFIRMATION OF MINUTES

RESOLVED

That the Minutes of the meeting held on 15 February 2017 be confirmed and signed as a correct record subject to the list of those present being amended as follows:-

BABERGH

Delete the name of Margaret Maybury
Add the name of Alan Ferguson

MID SUFFOLK

Correct the spelling of 'Dereck' Osborne to read 'Derek' Osborne.

22 PETITIONS

None received.

23 QUESTIONS BY THE PUBLIC

None received.

24 QUESTIONS BY COUNCILLORS

None received.

25 COMMUNITY ENGAGEMENT

Liz Perryman, Chairman, and Gerry Crease, Secretary, of the Tenants Forum together with Oliver Paul from Suffolk Food Hall addressed the meeting about their experiences of how the Councils have engaged with them or their groups. The speakers responded to Councillors' questions on various aspects and the Tenants Forum representatives gave specific examples of poor communication experienced by some tenants, which in some instances, such as re-scheduling the timing of rent arrears letters, had led to improvements in the way in officers communicated with tenants. Mr Paul gave generally positive feedback, particularly in relation to Open for Business, tourism support and environmental health advice, both from his own personal experience and that of the various groups with which he is involved on the Shotley peninsula. However, he also expressed some concerns about communication, particularly regarding email usage. The Chairman on behalf of the Committee thanked the speakers for their frank and informative contributions.

The main areas of concern raised at the meeting were summarised as relating to the following:-

- Asking officers to ensure they are respectful in their dealings with all customers
- A pragmatic approach where this will improve response times
- Speed of all forms of communication to be improved – Councillors were aware that the availability of a variety of communication methods was the preferred option, including the ability to talk to officers instead of relying on time-consuming emails
- Some confusion caused by unclear job titles, departmental descriptions
- Need for a cultural change in some areas of the organisation
- A recognition that the positive message about the Councils' move to Endeavour House had not been communicated as effectively to our public as had been hoped.

Mike Evans, Strategic Director, assured the Committee that he would pursue the concerns raised at the meeting with the Senior Leadership Team.

RESOLVED

That the Senior Leadership Team be asked to take into account the feedback from the Community Engagement exercise as presented to the meeting, including the particular aspects summarised above.

RESOLVED

That the recommendations listed in 10.3 of Paper JSC/16/16 be supported and that SLT reports back to this Committee or its successor(s) in 6 months regarding those recommendations.

26 DISABLED ADAPTATIONS TO PROPERTIES

The Corporate Managers for Safer Communities (Jonathan Seed) and Property Services (Heather Worton) gave an oral update on the areas of delayed transfer of care where the Councils can make an impact.

The conclusion was that Mid Suffolk and Babergh District Councils are not contributing to delayed transfer of care but are working proactively with the various agencies, specifically to assist transfers by prioritising adaptations to Council properties to enable patients to return home. More generally, officers are working to improve transfer of care by collaboration with, and stronger linkages to, relevant agencies; supporting initiatives for flexible and innovative ways of working to improve response and to seek early notification of clinician requirements.

RESOLVED

That the current position as reported to the meeting be noted.

27 PAPER JSC/16/16 - REPORT FROM THE TASK AND FINISH GROUP SET UP TO LOOK AT NEIGHBOUR PLAN SUPPORT BY THE COUNCILS

Bryn Hurren introduced the Task Group's report (Paper JSC/16/16) and its five recommendations as set out in the report. Paul Harrison, Heritage Enabling Officer responded to Councillors' questions about various matters including the effect of differing periods of housing land supply on an adopted plan.

RESOLVED

That the recommendations listed in paragraph 10.3 of Paper JSC/16/16 be supported and that the Senior Leadership Team reports back to this Committee or its successor(s) in six months' time regarding those recommendations.

28 PAPER JSC/17/16 - DRAFT ANNUAL REPORT OF THE JOINT SCRUTINY COMMITTEE 2016/17

Councillors had before them a draft annual report attached to Paper JSC/17/16.

RESOLVED

That the draft document attached as Appendix 1 to Paper JSC/17/16 be adopted as the Joint Scrutiny Committee Annual Report for 2016/17 and submitted to the Annual Council meetings in May 2017 subject to:

(a) the following amendments to add / change wording as shown in italics:-

- **10.5 – … no 2017/18 Work Plan *'due to changes to governance'***
- **10.8 and 10.9 - … to scrutinise *'the approach to'* the HRA etc and 2015/16 to read *'2016/17'***
- **Page 13 – 'Planning Appeals – proposal to set up a Working Group *'was not taken forward'***

and

(b) the approval of the Joint Chairs of the Committee to the inclusion of items relevant to this meeting (paragraph 10.2 of Paper JSC/17/16 refers).

At the conclusion of this meeting, the last in its current format, Mark Newman, Babergh Joint Scrutiny Committee Chairman thanked Councillor Eburne, Committee members and officers for their support, and his comments were echoed by the Mid Suffolk Joint Chairman, Rachel Eburne.

The business of the meeting was concluded at 7.05 p.m.

……………………………………..

Chairman

BABERGH DISTRICT COUNCIL or / and MID SUFFOLK DISTRICT COUNCIL

From: Head of Law & Governance	**Report Number: MOS/17/3**
To: Mid Suffolk Overview and Scrutiny Committee	**Date of meeting: 15 June 2017**

FOLLOW UP OF JOINT SCRUTINY ITEMS

1. Purpose of Report

1.1 To inform the Committee of action or progress made on previous recommendations and resolutions

2. Recommendations

2.1 The Committee note the progress made and identify those areas where further monitoring is required.

The Committee is able to resolve this matter

3. Financial Implications

3.1 There are no specific financial implications identified from this report.

4. Legal Implications

4.1 There are no legal implications identified from this report.

5. Risk Management

5.1 This report is not linked to any risks identified on the Council's Significant Risk Register, however key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If Mid Suffolk Overview and Scrutiny Committee do not identify the right areas for review in their forward plan, then the Councils priorities may not be achieved	Unlikely (2)	Noticeable (2)	Members to review the contents of Appendices A and B to agree a Forward Plan

6. Consultations

6.1 Relevant officers were consulted to provide updates for this report.

7. Equality Analysis

7.1 This report has no inherent equality and diversity impact.

8. Shared Service / Partnership Implications

8.1 None.

9. Links to Joint Strategic Plan

9.1 None.

10. Key Information

10.1 This report looks at the outcomes from the resolutions and recommendations made by the Joint Scrutiny Committee in the period April 2016 to April 2017 plus those outstanding from earlier. Full details are included in the attached Appendix A.

10.2 The Committee is asked to consider the outcomes and identify those areas where further monitoring of progress is still required.

11. Appendices

Title	Location
(a) Outcomes from Resolutions and Recommendations	Attached

12. Background Documents

None

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Outcomes from Resolutions and Recommendations – Mid Suffolk Scrutiny Committee 15 July 2017

Date of Meeting	Agenda Item	Resolutions and Recommendations	Progress and Outcomes
	Fuel Poverty	RESOLVED (1) That a Lead Officer be identified to co-ordinate a multi-disciplinary approach to measures to alleviate fuel poverty. (2) That a Working Group be set up on a task and finish basis to work with the designated Lead Officer on a range of recommendations based around the matters highlighted by the Committee, with a view to reporting to the meeting scheduled for 1 October.	June 2015 position Martin King, Head of Service Housing, has been identified as lead officer. Seven Recommendations from the task and finish group were presented to the 11 February 2015 Joint Scrutiny meeting where they were approved and the recommendations passed onto Executive (09/03/15) and Strategy (12/03/15) Committees where the recommendations were delegated to the relevant Programme Steering Boards to be adopted as part of the work programme with reports to be made back to Strategy and Executive. **April 2016 position** Role of Lead Officer has been transferred to the Corporate Manager Private Sector Housing.

Date of Meeting	Agenda Item	Resolutions and Recommendations	Progress and Outcomes
			Progress against the seven recommendations from the Joint Scrutiny Committee was reported to the Housing Programme Steering Board in 2015. The Fuel Poverty Strategy is being incorporated into the overall Poverty Strategy. **Ongoing**
21 October 2015	Supporting Business Growth	Report noted and support the measures promoted in it	Further examination of measures for supporting micro and small businesses has been added to the proposed forward plan. **Ongoing**
16 December 2015	Grants Review and External Funding		Monitoring and review of project undertaken at request of Leaders and Portfolio Holders. Further reports on progress taken to 17 February 2016 and 15 June 2016 Committees. **Ongoing**
17 February 2016	Waste Services Scoping		Verbal outline of existing arrangements. Members felt it appropriate that the Committee scrutinise the plan for post 2019 and requested a further report be brought to the Committee at an appropriate time. This was included to the Joint Scrutiny Committee Forward Plan.

Date of Meeting	Agenda Item	Resolutions and Recommendations	Progress and Outcomes
17 February 2016	Grants Review and External Funding		Further report given to JSC. Another update given 15 June 2016.
17 February 2016	Void Performance	Members asked for the following to be provided at future meetings: • An update on the progress of the new Responsive Repairs service 12 months after implementation; • Void performance for Sheltered Housing to be provided separately from other council properties; • An overview as to how void performance fits in the wider performance management review.	**Ongoing**
17 February 2016	Scoping a review of the waste services		Some Members expressed a view that consideration should be given to residents' views to ensure any changes to the waste collection system were user-friendly, in particular from smaller properties and properties in heavily built-up and rural locations. Members felt it appropriate that the Committee scrutinise the plan for post 2019 and requested a further report be brought at that time. **Ongoing**
13 April 2016	Opportunities for Joint Scrutiny in Suffolk		**Ongoing**

Date of Meeting	Agenda Item	Resolutions and Recommendations	Progress and Outcomes
13 April 2016	Opportunities for Joint Scrutiny in Suffolk		Members identified the following areas including budget activity, proactive approach, pre-decision scrutiny and devolution which could form part of a Joint Scrutiny framework in Suffolk. **Ongoing**
15 June 2016	Grants and External Funding Review Project		The Corporate Manager – Strong Communities, advised that a further report detailing the outcome of the health check would be brought to a future Committee for Members consideration. **Ongoing**
15 June 2016	Leisure review	This was identified for the forward plan	**Ongoing**
19 April 2017	Neighbourhood planning	JSC supported the recommendations from the task & finish group and asked that SLT report back regarding those in 6 months	**Ongoing**

FORTHCOMING DECISIONS LIST

(Key Decisions and other Executive Decisions for the period June, July and August)

Published 1 June 2017

This list (Key Decisions and other Executive Decisions) contains details of all of the Key Decisions and other Decisions/Matters taken in private that are planned over the next four months.

It will be updated on a monthly rolling basis, and provides at least 28 clear days' notice of the consideration of any key decisions, and of the taking of any items in private. It is published in accordance with the Local Authorities (Executive Arrangements) Meetings and Access to Information) (England) Regulations 2012.

A key decision means an executive decision which, pending any further guidance from the Secretary of State, is likely to:

(a) to result in the relevant local authority incurring expenditure which is, or the making of savings which are, ***significant*** *having regard to the relevant local authority's budget for the service or function to which the decision relates; or*

(b) to be ***significant*** *in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority.*

A decision taker may only make a key decision in accordance with the requirements of the Executive Procedures set out in the Constitution.

Consideration of Decisions

The majority of items will be considered at a meeting to which any member of the public may attend and observe, but may not speak. Any items marked with an asterisk * and categorised as an “Exempt Report” may be taken in private, if the related documentation contains “Exempt” or “Confidential” Information as defined in Schedule 12A of the Local Government Act 1972.

The categories of exempt information are:-

1. Information relating to any individual
2. Information which is likely to reveal the identity of an individual
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)
4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the Authority
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings
6. Information which reveals that the authority proposes a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or b) to make an order or direction under any enactment
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

Cabinet Members will consider information on key decisions through reports, associated appendices and schedules etc. Other documentation relevant to the decision being made may also be submitted for consideration. Subject to the “exemption and confidentiality” qualifications above, copies or extracts from any report or related documentation relating to a key decision will be available from the relevant Contact Officer listed in the this Plan.

BABERGH DISTRICT COUNCIL PORTFOLIO HOLDER – CONTACT DETAILS			
Name	**Portfolio**	**Telephone No**	**E-mail Address**
Cllr Jennie Jenkins	Leader of the Council – Assets and Investments	01206 262799	Jennifer.jenkins@baberghmidsuffolk.gov.uk
Cllr Jan Osborne	Deputy Leader of the Council - Housing	01787 466096	Jan.osborne@baberghmidsuffolk.gov.uk
Cllr Tina Campbell	Environment	01473 822290	Christina.campbell@baberghmidsuffolk.gov.uk
Cllr Margaret Maybury	Communities	01787 464358	Margaret.maybury@baberghmidsuffolk.gov.uk
Cllr Lee Parker	Planning	01787 376073	Lee.parker@baberghmidsuffolk.gov.uk
Cllr Peter Patrick	Customers/Finance	01787 210346	Peter.patrick@baberghmidsuffolk.gov.uk
Cllr John Ward	Economy	01787 210551	John.ward@baberghmidsuffolk.gov.uk

MID SUFFOLK DISTRICT COUNCIL PORTFOLIO HOLDER – CONTACT DETAILS			
Name	**Portfolio**	**Telephone No**	**E-mail Address**
Cllr Nick Gowrley	Leader of the Council – Assets and Investments	01449 774297	Nick.gowrley@baberghmidsuffolk.gov.uk
Cllr John Whitehead	Deputy Leader of the Council - Finance	01473 833279	John.whitehead@baberghmidsuffolk.gov.uk
Cllr Gerard Brewster	Economy	01449 073856	Gerard.brewster@baberghmidsuffolk.gov.uk
Cllr David Burn	Environment	01379 788712	David.burn@baberghmidsuffolk.gov.uk
Cllr Julie Flatman	Communities	01986 798661	Julie.flatman@baberghmidsuffolk.gov.uk
Cllr Glen Horn	Customers	07889 300907	Glen.horn@baberghmidsuffolk.gov.uk
Cllr David Whybrow	Planning	07799 068926	David.whybrow@baberghmidsuffolk.gov.uk
Cllr Jill Wilshaw	Housing	01449 781194	Jill.wilshaw@baberghmidsuffolk.gov.uk

Forthcoming Decisions list (KEY, EXEMPT AND OTHER EXECUTIVE DECISIONS)

June to August 2017

Status	Subject	Summary	Decision Maker & Decision Date	Contacts: Portfolio Holder(s)	Contacts: Officer(s)	Reason for Inclusion
To be re-scheduled	~~BMSDC Enterprise Zone Sites – Delivery Update and Discretionary Business Rate Relief Policies~~	~~To approve proposed Discretionary Business Rate Relief Policies~~	~~Strategy/ Executive May 2017~~		~~Delia Cook 01449 724786 Delia.cook@baberghmidsuffolk.gov.uk~~	~~Key Decision~~
Amended	Draft Discretionary Business Rate Relief Policy	To approve draft discretionary business rates	Cabinet **July** 2017	Peter Patrick/ John Whitehead	Katherine Steel 01449 724806 katherine.steel@baberghmidsuffolk.gov.uk	Key Decision
Amended	HRA Business Plan	For comment and agreement	Cabinet **July** 2017	Jan Osborne/ Jill Wilshaw	Kevin Jones 01449 724704 Kevin.jones@baberghmidsuffolk.gov.uk	Key Decision
New	Pre-Application Planning Service including charging	To alter pre-application planning service including charging	Cabinet June 2017	Lee Parker/ David Whybrow	Gemma Walker Tom Barker 01449 724521 Gemma.walker@baberghmidsuffolk.gov.uk	Key Decision
New	Half Yearly Performance Reporting	To note	Cabinet June 2017	Peter Patrick/ Glen Horn	Karen Coll 01449 724566 Karen.coll@baberghmidsuffolk.gov.uk	
Amended	Community Housing Fund	To agree	Cabinet **July** 2017	Jan Osborne/ Jill Wilshaw	Bill Newman Julie Abbey-Taylor 01449 724782 Bill.newman@baberghmidsuffolk.gov.uk	Key Decision

Amended	Local Plan	To agree	Council July 2017	Lee Parker/David Whybrow	Bill Newman Julie Abbey-Taylor 01449 724782 Bill.newman@baberghmidsuffolk.gov.uk	
To be re-scheduled	~~Public Realm Transformation Options Appraisal~~	~~To decide on the preferred option for the future delivery of public realm services~~	~~Cabinet~~ ~~June 2017~~	~~Peter Patrick/ Glen Horn~~	~~Jonathan Free~~ ~~Peter Garrett~~ ~~Belinda Bryan~~ ~~01449 724859~~ ~~Jonathan.free@baberghmidsuffolk.gov.uk~~	~~Key Decision~~
New	Home Ownership Review	For agreement	Cabinet July 2017	Jan Osborne/ Jill Wilshaw	Gavin Fisk 01449 724969 Gavin.fisk@baberghmidsuffolk.gov.uk	Key Decision
New	Disposal of Small Parcels of Land – Draft Policy	For agreement	Cabinet July 2017	Jennie Jenkins/Nick Gowrley	Jill Pearmain 01449 724573 Jill.pearmain@baberghmidsuffolk.gov.uk	
New	General Fund and Outturn	For agreement	Cabinet July 2017	Peter Patrick/John Whitehead	Katherine Steel 01449 724806 katherine.steel@baberghmidsuffolk.gov.uk	Key Decision
New	Business Case Investment Proposal	EXEMPT	BDC Cabinet July 2017	John Ward	Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk	Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions.
New	Business Case Acquisition	EXEMPT	MSDC Cabinet August 2017	Gerard Brewster	Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk	Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions.
New	Leisure Strategy Update	For comment and agreement	Cabinet September 2017	Margaret Maybury/ David Burn	Chris Fry 01449 724805 Chris.fry@baberghmidsuffolk.gov.uk	Key Decision

New	Framework for Growth – Housing, Economic and Infrastructure Strategies	To agree and recommend to Full Council for Adoption	Cabinet October 2017	John Ward/Gerard Brewster	Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk	
New	Future Options HQ Sites	For comment and agreement	BDC Cabinet October 2017 MSDC Cabinet December 2017	John Ward/Gerard Brewster	Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk	Key Decision
New	Neighbourhood Plan Update	For comment and agreement	Cabinet TBA	Margaret Maybury/ David Burn	Paul Bryant/Paul Munson 01449 724771 Paul.bryant@baberghmidsuffolk.gov.uk	
New	Introduction of Fixed Term Tenancies	For comment and agreement	Cabinet TBA	Jan Osborne/ Jill Wilshaw	Sue Lister 01449 724758 Sue.lister@baberghmidsuffolk.gov.uk	
New	Joint Development Strategy		Cabinet TBA	John Ward/Gerard Brewster	Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk	Key Decision
New	New Anglia – LEP – New Economic Strategy	For Comment and Agreement	Cabinet – October 2017	John Ward/Gerard Brewster	Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk	Key Decision

If you have any queries regarding this Forward Plan, require further information about Council or Committee meetings, please contact the Governance Team on 01449 724673/01473 826610 or Email: Committees@baberghmidsuffolk.gov.uk.

If you wish to make any representations as to why you feel an item that is marked as an "exempt" or confidential item should instead be open to the public, please contact the Monitoring Officer on 01473 825891 or Email: emily.yule@baberghmidsuffolk.gov.uk. Any such representations must be received at least 10 working days before the expected date of the decision.

Arthur Charvonia

Chief Executive

Babergh and Mid Suffolk District Councils

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Agenda Item 11

MID SUFFOLK DISTRICT COUNCIL

From:	**Cabinet Member for Housing**	**Report Number:**	**MOS/17/4**
To:	**Overview and Scrutiny Committee**	**Date of meeting:**	**15 June 2017**

THE HOUSING REVENUE ACCOUNT
30 YEAR BUSINESS AND FINANCIAL PLAN
UPDATE 2017

1. Purpose of Report

1.1 To enable Members to review and approve an updated 30 year Housing Revenue Account (HRA) business and financial plan for the district.

1.2 To appraise the Committee about changes made to the assumptions contained in the Housing Revenue Account financial plan, the reasons for these changes and the impact the changes have had on the 30 year financial position.

1.3 To inform Members how management of the HRA is being adapted to meet evolving needs and demands and to reflect legislative, financial and technological change.

1.4 To update the Cabinet on the development pipeline of new homes for the Mid Suffolk HRA.

1.5 To set out a roadmap for the transformation of the role of local authority housing and the HRAs in light of the significant financial challenges caused by changes to Government policy, the emerging Suffolk work on housing delivery and the Government's White Paper 'Fixing our Broken Housing Market' to create a sustainable and robust plan for the future.

2. Recommendations

That the updated HRA 30 year business and financial plan (Appendix A to MOS/17/4) be approved.

3. Financial Implications

3.1 Changes in national policy over the last few years have fundamentally impacted on HRA finance. In 2011, the Government introduced the 'self-financing' regime. As a result, Mid Suffolk took on an additional £57.5m of debt. A debt cap was also set at £90.9m by the Government. The Council must demonstrate that it can operate within this debt cap after having taken into account its anticipated operating environment over a 30 year period and its forecast financing requirements. The Council's current debt is £86.8m leaving a headroom of £4.1m available.

3.2 More recently, the Government has introduced further structural change. This includes, an annual 1% reduction in rents for the years up to 2019/20, an increase in Right to Buy discounts and welfare reform. These have all added significant extra pressure to the 30 year financial plan. More detail is included in section 10.

3.3 The previous Government's proposal to impose a high value asset levy would weaken the financial position of the HRA still further. The detailed regulations around this have not yet been released by the Government and so, on advice from the Chartered Institute of Housing (CiH), no related assumptions have been incorporated into the financial plan.

3.4 The capacity for the Council to absorb the impact is challenging and updating the assumptions used in constructing the HRA financial plans has been critical for the Council. Mid Suffolk DC would be non-compliant by year 8 if the review was not carried out. Plans to manage the financial impact are outlined in this report and the attached document.

4. Legal Implications

4.1 The plans outlined in this report are designed to maintain legal compliance.

5. Risk Management

5.1 This report is most closely linked with the Council's Significant Business Risk No. 1a – Housing Delivery. Key risks are set out below:

The risk register identifies the following risks. New mitigations have been added.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to identify detailed housing requirements for local area will undermine our ability to deliver the right homes in the right places.	2 (Unlikely)	2 (Noticeable)	Creation of joint housing strategy including strategy for HRA assets.
Failure to manage our corporate and housing assets effectively will result in diminishing value of the stock and ineffective delivery of JSP outcomes.	2 (Unlikely)	3 (Bad)	Ensure HRAs are robust and sustainable. Explore options for making most effective use of housing assets. Review housing management arrangements based on customer insight and on delivering JSP outcomes.
Failure of the Councils to respond to the external funding	2 (Unlikely)	4 (Disaster)	Annual review of HRA business plans incorporating necessary

environment could result in the Councils' operations no longer being financially sustainable.			changes to key assumptions. Develop and deliver mitigation measures to sustain viability.
Staff within the organisation not having the right capacity and capability to deliver the strategic priorities of the councils and to work within the wider local government system	2 (Unlikely)	3 (Bad)	Developing our understanding of operational costs and customer value. Developing a staff culture that is customer focussed and drives delivery of JSP outcomes.

6. Consultations

6.1 The consultation and decision programme is as follows:

Cabinet pre-briefing	30 May 2017
Opposition briefing	31 May 2017
Overview and Scrutiny	15 June 2017
Joint Housing Board	19 June 2017
Cabinet briefing	26 June 2017
Cabinet	10 July 2017
MSDC Full Council	20 July 2017

7. Equality Analysis

7.1 There are no equality and diversity implications arising directly from this report. Thorough EIAs will be conducted on any substantial changes to our management service or asset management and investment plans.

8. Shared Service / Partnership Implications

8.1 Babergh and Mid Suffolk Councils currently operate with an integrated officer team. The radically different financial positions of the two Councils' HRAs will create challenges going forward. The options open to the Councils to deliver the best outcomes will be different and although these will be handled carefully, it will limit the extent to which future strategies can be replicated across both Councils.

8.2 Efficiency savings need to be made in the Mid Suffolk HRA in order to maintain financial compliance. No savings are required in the Babergh HRA. This could drive differential service levels.

9. Links to Joint Strategic Plan

9.1 Maintaining sustainable and compliant HRA business plans is fundamental to delivery of the Joint Strategic plan. HRA business planning has a key role to play in the delivery of four outcomes:

- Housing Delivery
- Community capacity and building engagement
- Assets and investment
- Enabled and efficient organisation

10. Key Information

10.1 The financial plan attached explains the elements that have changed since previous plans. It details the implications of the changes for the Council and how it is proposed to manage the impact. It includes a draft roadmap for a transformation of the role of the HRA which will be initiated by our response to the financial context, the Suffolk Housing work and the Government's white paper 'Fixing our broken housing market'.

10.2 In summary the key contextual changes that have impacted on the sustainability of the HRA Business Plan are**;**

Localism Act 2011

Self-financing
The Act replaced the HRA subsidy system with a system of self-financing, the most radical changes for 30 years to the way in which Councils manage their Council house finances. From April 2012, Mid Suffolk took on a share of the national housing debt calculated by the Government as its debt settlement.

Right to buy
The discount was increased to 70% of value or £77,900 whichever is the lower. This led to a substantial increase in the number of sales which will result in a significant reduction in the Council's future rental income.

New model of affordable housing
The affordable rent tenure 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 including new council housing.

Welfare Reform Act 2012

Social rent reduction
A reduction in rents by 1% a year for four years (until 2019/20). This has a major impact on long term HRA financial planning.

Universal credit
A replacement for six means tested benefits and tax credits with one universal payment. UC will be rolled out in Mid Suffolk in late 2017/early 2018.

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.

Benefit cap
A cap on the maximum households can receive in benefits to £20,000. For single people without children, the cap is £13,400.

Housing and Planning Act 2016

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. The Council has decided not to adopt Pay to Stay.

High Value Asset Sales
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 yet to be made. The payment will take the form of a levy, giving local authorities a choice in how they raise the funds. The money will fund housing association Right to Buy discounts and new house building. As the rules around this issue have yet to be published we have not yet included anything in our assumptions on it.

10.3 The work undertaken to date forecasts that the Mid Suffolk HRA will breach its debt cap in year 8 of the plan. There are a number of actions available to the Council that would contribute to preventing the debt cap breach from occurring. These include:

- Improve efficiency and reduce operating costs. This could impact on the number of establishment posts
- Improve performance and increase income
- Withdraw services and reduce operating costs
- Relinquish Right to Buy receipts
- Sell assets
- Further reduce capital spend

Work has been done to calculate what the bottom line improvement will need to be to prevent a debt cap breach over the entire 30 years. The current minimum position required is £100,000 efficiency savings in each year 2018/19, 2019/20, 2020/21; £300,000 in total at today's value. This would maintain compliance based on what is currently known.

10.4 Revised Babergh & Mid Suffolk Building Services (BMBS) financial forecasts have been included in the overall HRA financial plan. An initial review of the BMBS plan identified some areas of concern and work has now been completed to revisit and verify the costs and assumptions in the plan and its future business strategy.

10.5 A project team was established to understand HRA income and expenditure from an operational perspective and to establish an approach to assessing productivity. This work has produced the cost savings plan included in the report. The team has produced an outline 3 year business efficiency plan to deliver the £300,000 reduction in costs currently assessed as being necessary to avoid a breach of the Mid Suffolk HRA debt cap.

10.6 There is an absolute need for the Councils to develop an overall strategy for housing and within it the role of local authority housing going forward. This was identified during the development of the Joint Strategic Plan and continues to be a priority given the delivery of housing and the ability to meet need across existing and new housing remains a major challenge.

10.7 The Government's white paper provides a trigger for this work, building on our own housing strategy and alongside work already underway in the wider Suffolk space, including the Suffolk Strategic Planning and Infrastructure Framework, Suffolk Housing Proposal which will inform the NALEP new Economic Strategy and the Suffolk older persons housing strategy.

10.8 An initial roadmap for developing this approach is included in the attached briefing note. As part of this work it will be vital to consider

- the role of local authority housing in the overall housing market in meeting need
- the future possible necessity to consider cross subsidy with general fund housing to deliver a sustainable local authority model
- use of the Council's own housing assets
- investment in new housing
- developing new approaches to tenure so our assets are used to maximum effect
- our relationship with residents which focuses on increased independence and pathways to employment or care.

11. Appendices

Appendix A Housing Revenue Account 30 year business financial plan Update 2017	Attached

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Appendix A

MSDC Housing Revenue Account
30 Year Business and Financial Plans

Update 2017

Table of Contents

1. EXECUTIVE SUMMARY

This narrative, in combination with the 30 year financial model, forms the Business Plan for the Housing Revenue Account (HRA). The plan examines various scenarios to assess the impact of a shifting financial landscape and changing government policy. It also identifies the risks to the financial strength of the HRA and how the Council will manage and mitigate those risks. The key issues are as follows:

- The Mid Suffolk District Council HRA is not in a strong position. Financial analysis shows that it faces some substantial challenges in the coming years and action will need to be taken to avoid a breach of its debt cap within 8 years.

- The financial position in the plan has deteriorated since the last review mostly due to an increasing number of Right to Buy (RTB) sales and the resulting reduction in rental income.

- Although a potential breach of debt cap is projected within 8 years, there is time to make business adjustments to bring this back in line. The options for action are covered in this paper.

- Regardless of the financial position, the needs and aspirations of the District's diverse communities are changing and the way the Council operates and manages its HRA must adapt in order to deliver the outcomes agreed in the Joint Strategic Plan.

- The Council has already embarked on a new build programme that will deliver 38 new homes for rent and shared ownership by 2018. The Council has approved a new joint affordable homes development strategy with Babergh which lays out a direction and methodology for the delivery of approximately 60 more new homes. These will be mostly for rental and managed within the HRA.

- Given the current position, development of further new build may well be curtailed for 3 to 5 years thereafter.

- The work that has been done to understand and measure risk and to stress test the underlying financial strength of the 30 year HRA business plan, indicates that despite the financial challenges of welfare reform and specifically Universal Credit, the 1% rent reduction and increasing RTB sales the Council's HRA is able with some economies to contribute to the delivery of several Joint Strategic Plan outcomes.

- The previous Government indicated its intention, in the Housing and Planning Act 2016, to introduce a high value asset levy on local authorities. The expectation is that Councils will sell high value homes when they become vacant, although Councils would be able to raise funds to meet the levy in other ways. No detail on the levy had been announced prior to dissolution of parliament and on the advice of the Chartered Institute of Housing (CIH), no account has been taken of it in the financial plan. If the new Government proceeds with implementation it would significantly reduce HRA financial capacity.

2. BACKGROUND

JOINT STRATEGIC PLAN

Through the Joint Strategic Plan, Babergh and Mid Suffolk District Councils' vision is to create an environment where individuals, families, communities and businesses can thrive and flourish. The plan aims to deliver five strategic outcomes. The HRAs will contribute to the following four JSP outcomes.

HRA business planning has a key role to play in the delivery of all four outcomes. It is fundamental to the Housing Delivery and Assets and Investments outcomes.

The business plans sit very firmly in the wider businesses of both Councils and needs to be understood in the context of the Councils':

- Housing delivery strategy
- Joint local plan
- Assets and investment strategy
- Joint Affordable Homes Development strategy
- Public access and accommodation strategy (All Together programme)

And the:

- Suffolk Strategic Planning and Infrastructure Framework
- Suffolk Housing Proposal which will inform the NALEP new Economic Strategy
- Suffolk older persons housing strategy.

FUTURE VISION FOR HOUSING

The Government's white paper "Fixing our broken housing market" published in February 2017 evidenced the "broken" nature of the UK's housing market and identified the root cause as insufficient new home building over decades.

Although the White Paper was light on detail around substantial change to the housing market and did not, for example, modify the current approach to Council borrowing or rent setting, it does present an opportunity for the Councils to reconsider the long term role of the HRAs in delivering the outcomes described in the Joint Strategic Plan (JSP).

This is timely given the work already underway in Suffolk around regional housing strategy, identifying the role local authorities will play in accelerating delivery as well as influencing what is delivered, and where Councils might reimagine the role their housing assets will play in meeting future need.

Whatever future strategy is adopted, we will need to test how far the Councils will want to continue being landlords and how the Councils will deliver the best service at the lowest cost, manage within the statutory financial framework whilst maximising provision of new or reconfigured housing for future and existing residents. We need to continue and strengthen the move away from a generic, paternalistic approach with our tenants to one that is much closer aligned to delivery of JSP outcomes.

This means a renewed focus on the role of the Councils' housing, increasing income, and improving performance, efficiency, productivity and value for money.

The Councils recognise that council housing residents have individual needs and requirements and that this demands intelligent services tailored to different customer segments. Much good work is already underway, for example, in the way the Council deals with income management through use of customer insight to drive a resident focussed approach that is efficient and effective.

New ways of working will need to be devised that will enable us to target our limited resources at residents that need our help most at a particular point in their lives. We will need to extend use of new technology and financial tools to enable us to better understand our portfolio and our residents and what they value in order to make us more cost effective and create additional capacity to deliver our priorities for the HRA.

There are a number of other emerging strategies and reviews that will either feed into or impact on the HRA Business Plan in the coming year some directly, some indirectly. These are:

Item	Date
BMBS Review	May 2017
B&MSDC housing strategy	May 2017
NALEP economic strategy (published)	September 2017
Suffolk housing proposal commences	May 2017
Government white paper response finalised	May 2017
Suffolk Strategic Planning and Infrastructure Framework	Summer 2017
Review of the role of the HRA	Autumn 2017
B&MSDC Supported Living review	Winter 2017
Suffolk older persons housing strategy	Winter 2017

LEGISLATIVE FRAMEWORK

There have been several legislative changes in recent years that have had an impact on the sustainability of the Council's HRA business plan. The changes and the impacts are outlined below.

Localism Act 2011

Self-financing

The Act replaced the HRA subsidy system with a system of self-financing, the most radical changes for 30 years to the way in which Councils manage their Council house finances. From April 2012, Mid Suffolk took on a share of the national housing debt calculated by the Government as its debt settlement. The self-financing debt settlement figure was £57.5m. Mid Suffolk's total maximum loan portfolio became £90.9m (the debt cap). The current debt is £86.8m leaving headroom of £4.1m.

The introduction of self-financing required the Council to take a long term strategic approach to its finances using a 30 year business plan. The plans must take into account the environment in which the Council is operating. It must be robust and sustainable over a 30 year period having taken into account reducing Government subsidy and its requirements to finance:

- The housing service
- Investment and maintenance of its existing assets
- New homes development

Right to Buy

The discount was increased to 70% of value or £77,900 whichever is the lower. This led to a substantial increase in the number of sales which will result in a significant reduction in the Council's future rental income.

New model of affordable housing

The affordable rent tenure 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) including new council housing. The Council can increase rents on vacant homes when re-let but only if the increased revenue contributes to development capacity. The Council will need to determine its policy on this point. This is noted at line M in the Improvement Plan in appendix 1.

Welfare Reform Act 2012

The Government's welfare reform measures are aimed at:

- Reducing the overall benefits bill
- Increasing incentives to work
- Promoting independence and self-reliance
- Creating greater fairness in the welfare system between those on out of work benefits and taxpayers in employment
- Reducing long term dependency on benefits

Social rent reduction
The reduction in rents by 1% a year for four years (until 2019/20) has a major impact on long term HRA capacity.

Universal credit
A replacement for six means tested benefits and tax credits with one universal payment. UC will be rolled out in Mid Suffolk in late 2017/early 2018. Based on evidence from pilot programmes, its introduction substantially increases risk around rent arrears and bad debts.

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

The benefit cap
A cap on the maximum a household can receive in benefits to £20,000 and for single people without children, the cap is £13,400.

Housing and Planning Act 2016

The Housing and Planning Act made 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 are:

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. The Council has decided not to adopt Pay to Stay.

High Value Asset Sales
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 in

regulations yet to be published. The payment will take the form of a levy, giving local authorities a choice in how they raise the funds. The money will fund housing association Right to Buy discounts and new house building.

As the detail around this issue has yet to be published, and on advice from the CIH, we have not included anything in our financial assumptions relating to it. There is the potential for implementation to have a significant negative impact on the HRA.

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 and in the February 2017 White Paper ‘Fixing our broken housing market’. Implementation appears likely to be April 2018 at the earliest.

<u>THE DISTRICT</u>

Demographic information – Mid Suffolk DC

Population
Mid Suffolk is a rural district within the centre of Suffolk with the main population areas of Elmswell, Eye, Needham Market and Stowmarket. Overall, the district has a population of approximately 99,120. Since the publication of the last business plan (2012), there has been an increase in the population of the district of 14,130.

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 the 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.

Mid Suffolk's population is forecast to increase by 15% to 116,700 by 2035. According to this growth forecast figure, 13,350 people are expected to be aged over 80 (11.4%). 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. For people living in poverty and hardship and for those on a low income, difficulties are 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 Mid Suffolk, the average household size was 2.41 in 2001, dropping to 2.36 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.

Household composition
Figures taken from the Census 2011 indicate that there are more one person households than any other household type in the Mid Suffolk 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.

The housing market
Mid Suffolk 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.

In Mid Suffolk the median house price to salary ratio is 9.2. This is comparable to many areas of London and higher than the national average of 6.96. This is because of the proximity to more expensive areas such as Essex and London to the south, and Bury St Edmunds and Cambridge to the west, and the ability of people to commute from Ipswich and Stowmarket rail stations and by car, to areas which offer higher incomes. Adding to this problem is the lack of smaller dwellings available for purchase, making affordable housing a significant issue.

In August 2016, the average price of a house in Mid Suffolk was £245,783, 4% higher than the national average of £235,573 and an increase of 13.5% from August 2015 when the average price was £216,531. 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 £595 in Mid Suffolk.

Many of the Council's 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.

Economic factors
The district of Mid Suffolk 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. Mid Suffolk has an unemployment rate of 3.2%, below the UK average of 5.1%. Latest information (November 2016) shows there were approximately 4,010 (6.8%) benefit claimants in Mid Suffolk. The East has 9.6% and the Great Britain average is 11.8%. Mid Suffolk has 1,867 recipients of part or full housing benefit and 450 (0.8%) out of work benefit claimants.

Council housing stock

Table 1 provides details of Mid Suffolk's current housing stock

	Bedsit	Bungalow	Flat	House	Total
General needs	4	1136	241	1463	**2844**
Sheltered	0	136	249	0	**385**
Shared ownership	0	1	2	10	**13**
Leasehold	0	0	60	0	**60**
Temp accommodation	0	0	4	2	**6**
Total	**4**	**1273**	**556**	**1475**	**3308**

Table 1

The Council also owns and manages 1,089 garages. Total projected rental income from houses and garages is 2016/17 was £15,511,008. This figure includes rental income, garage income and service charges. An average rent in 2016/17 is £84.16 a week, equivalent to £364.69 a month.

Housing need

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

Band	A	B	C	D	E	Total
1 bed	3	39	147	26	233	448
2 bed	32	27	65	11	159	294
3 bed	5	26	10	4	40	85
4 bed	2	8	2	0	4	16
5 bed	0	1	0	0	1	2
Total	42	101	224	41	437	845

Table 2

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.

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.

3. 30 YEAR FINANCIAL MODEL

ASSUMPTIONS

Since the previous iteration of the business plan, a range of assumptions have been adjusted to reflect the current operating environment and future pressures and capacity. The Table 3 highlights the previous assumptions in the plan and the new assumptions whilst Table 4 those assumptions that are unchanged.

Item	Current Assumption	New Assumption
Rent Increase	CPI+1% for the life of the plan after the 4 year rent reduction policy stops	CPI only for 2 years after the 4 year rent reduction policy stops, then CPI+1% for the remainder of the plan
Provision for Bad Debt	0.51% all Years	0.25% increase each year for the next three years, plateau for two years followed by reduction by 0.25% for two years then fixed for the life of the plan
Right to Buy Sales	27 sales for all years to Year 15 then 4 sales each year for the remainder of the plan	32 sales each year to year 11 then 25 each year for the remainder of the plan

Table 3

Description	Unchanged Assumption
Basis for settlement	Potential to repay settlement loan by Year 25
Inflation and Interest rates	RPI - 2.5% CPI – 1.5%
Management costs	Inflation long term at 2.5%
Voids – BDC/MSDC	0.93%/1.26%
Repairs costs	Inflation long term at 2.5%

Table 4

RATIONALE FOR ASSUMPTION ADJUSTMENTS

Rent Increase
Although difficult to predict, the assumption made on rent increases is that Government policy may not return directly to CPI+1% following 4 years of rent reduction. The assumption on rents is cautious but since the impact can be profound it is considered appropriate to model a small period at CPI only (1.5%) and then a return to CPI+1% for the remainder of the plan. The Government's white paper makes it clear that the rent reduction regime will continue as planned (until 2020) but that this might be eased subsequently. In the absence of a firm commitment, a prudent approach is appropriate.

Bad Debt

The assumption made on provision for Bad Debt has changed significantly and reflects the predicted impact of the roll-out of Universal Credit on arrears levels. The assumption is a sharp rise, a plateau as tenants become more familiar with the system then a reduction and further plateau marginally higher than the starting point for the reminder of the plan.

Right to Buy

Right to buy sales have a significant impact on future rental streams and on capital 'match funding' where receipts are kept for future acquisitions or development. MSDC has seen an increase in sales at around 32 per year for the last two years. Given the impact it is considered prudent to model this to year 11 followed by a tailing off of sales. The current plan had an historic 4 per year sales for the final years of the plan. This has been adjusted to 25, a figure considered more realistic in light of current sales and government policy.

Babergh and Mid Suffolk Building Services (BMBS)

There was no specific identification of the new building company within the previous business plan. A new tab has now been added to the plans with predicted costs of the venture and its projected losses and surpluses apportioned across the two Council HRA financial plans. The BMBS business plan projections have undergone detailed review as there are concerns about the projections and costs and the reliability of those figures in the original plan. A summary of the key elements of this review can be found in Section 7 below.

4. 30 YEAR FINANCIAL PLAN

The Mid Suffolk HRA is not in a strong position. Financial analysis shows that the HRA faces some substantial challenges in the coming years and action will need to be taken to maintain compliance. The financial position in the plan has deteriorated since the last review mostly due to the impact of welfare reform and increasing levels of right to buy sales and the resulting reduction in rental income.

A potential breach of the debt cap is forecast around year 8-10. However, there is time to make business adjustments to bring this back in line. A plan has been developed and is outlined in section 6 of this report.

Current Plan status and Risks

Chart 1 below shows a debt cap breach over the life of the plan. Capital Funding available falls below the amount required. Although this is based upon revised and prudent assumptions, and the actual position may prove to be better, action does need to be taken to ensure the sustainability of the plan.

Historically issues with financial capacity have been addressed by making cuts to future capital spend projections. A cut was included and approved in the HRA budget for 2017/18.

This is a very blunt tool which has the potential for several negative consequences:

- Deterioration in stock condition
- Higher spend requirement building up long term
- An increase in more expensive day to day repairs
- Longer void turnaround periods and an increase in hard to let properties
- Reduction in BMBS turnover and so impact on BMBS viability

For these reasons and others, further reductions in capital spend are not being explored. Instead we have assumed an increase in spend to a benchmark average of £1,100 per home per annum from 2018/19. The financial plan will be updated with bespoke capital spend forecasts to be used from April 2018 following completion of the stock condition survey scheduled for 2017 as shown in the Improvement Plan attached at appendix A.

MSDC Specific Efficiency Savings

There are a range of more appropriate options open to the Council to maintain viability of the HRA and avoid breach of the debt cap including:

- A reduction of management and other overhead costs
- The return of RTB receipts
- Disposal of assets
- Improvement in performance, e.g., void and arrears management and the reduction in bad debt

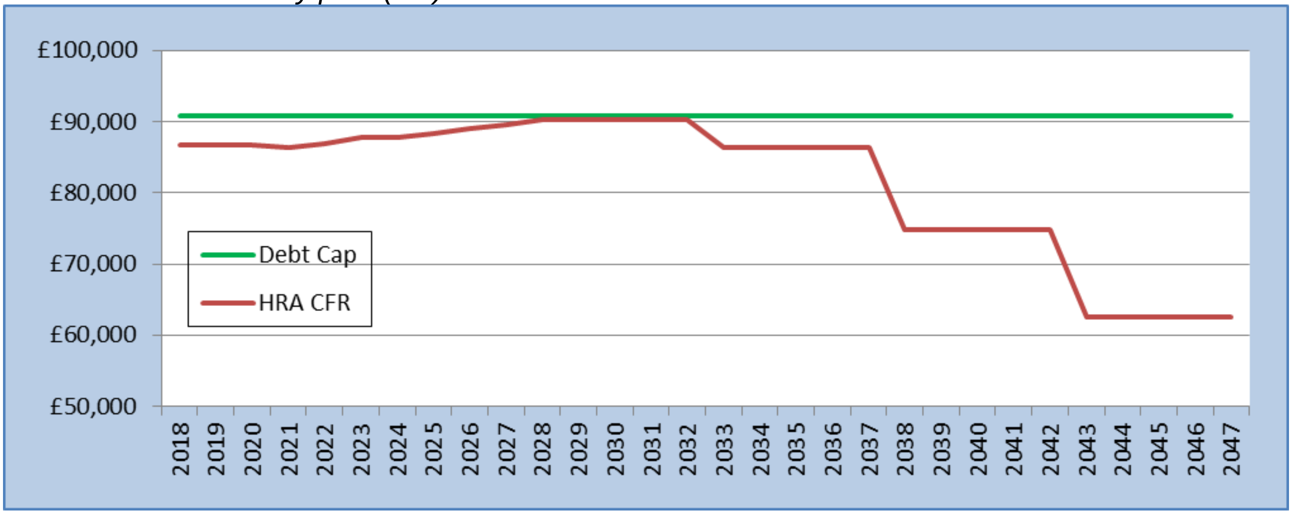
Analysis shows that achieving £300,000 of efficiencies (cost savings and/or income increases) over the three year period to 2020/21 will prevent a breach of the debt cap and make the MSDC HRA business plan compliant.

This is a significant figure but one that the Supported Living team believes is achievable and a plan has been developed to deliver it.

A detailed analysis of the options and the efficiency plan is shown in section 6 below.

Charts illustrating the MSDC HRA financial position before and after efficiencies are applied;

Chart 1 – Pre Efficiency plan (£m)



The chart shows the required borrowing being at or near the debt cap between 2028 and 2032. This assumes £1,100 capital expenditure per property per year from 2018/19 for 29 years and adding in RTB acquisitions for years 21 to 25 that were originally missing.

This has resulted in more planned maintenance spend in the earlier years than previously forecast but less spend from year 10 onwards. The chart shows how close the HRA Capital Funding Requirement (CFR) is to the Debt Cap per year and is **before** any savings for 2018/19 to 2020/21 have been identified.

Chart 2 – Post efficiency plan (£m)

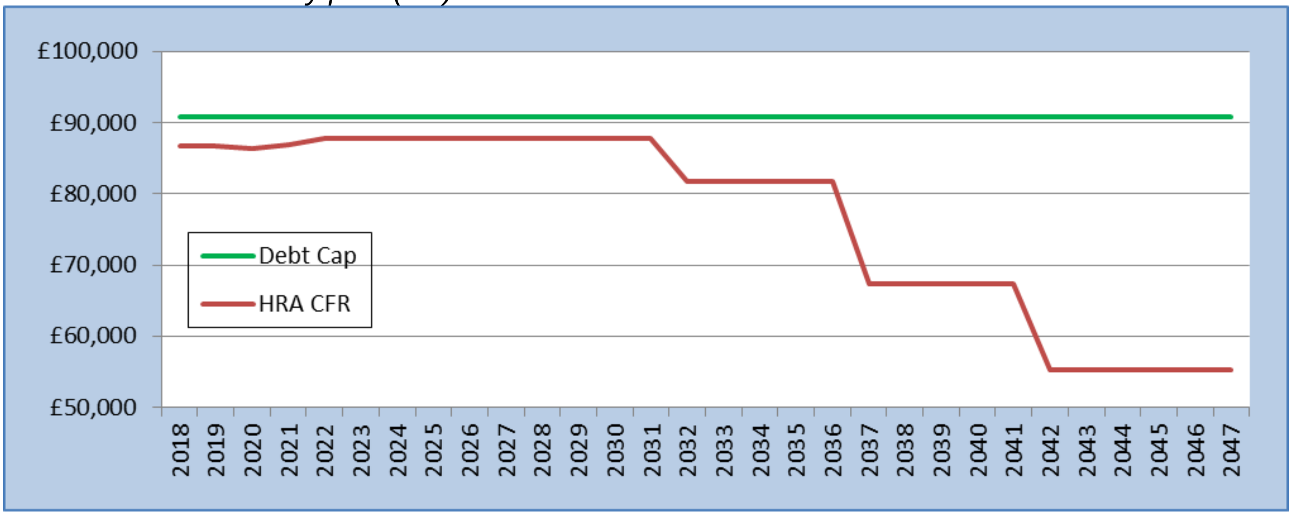


Chart 2 includes savings identified for 2018/19 to 2020/2021 as detailed in section 6. This brings the Capital Funding Requirement below the Debt Cap for the whole 30 year programme

HOUSING REVENUE ACCOUNT 5 YEAR PROJECTIONS

Mid Suffolk District Council

Year	**2017.18**	**2018.19**	**2019.20**	**2020.21**	**2021.22**
£'000	**1**	**2**	**3**	**4**	**5**
INCOME:					
Total Income	**15,551**	**15,506**	**15,389**	**15,626**	**15,856**
EXPENDITURE:					
General Management	-2,011	-1,974	-2,033	-2,092	-2,154
Special Management	-1,052	-1,029	-1,063	-1,099	-1,136
Other Management	-191	-108	-64	-11	95
Bad Debt Provision	-111	-145	-179	-182	-149
Responsive & Cyclical Repairs	-2,881	-2,497	-2,514	-2,526	-2,579
Total Revenue Expenditure	**-6,247**	**-5,754**	**-5,853**	**-5,910**	**-5,923**
Interest Paid	-3,042	-3,164	-3,263	-3,286	-3,277
Interest Received	27	15	17	16	16
Depreciation	-3,407	-3,445	-3,445	-3,445	-3,531
Net Operating Income	**2,883**	**3,158**	**2,845**	**3,000**	**3,140**
APPROPRIATIONS:					
Revenue Contribution to Capital	-3,597	-2,048	-2,327	-2,404	-3,220
Total Appropriations	**-3,597**	**-2,048**	**-2,327**	**-2,404**	**-3,220**
ANNUAL CASHFLOW	**-713**	**1,110**	**518**	**596**	**-80**
Opening Balance	1,776	1,062	2,172	2,690	3,287
Closing Balance	**1,062**	**2,172**	**2,690**	**3,287**	**3,206**

Table 5

The HRA Business Plan model is used to forecast dwelling rent and other income, loan interest payments and Revenue Contributions to Capital. The budget for the current year has already been agreed and shows general management costs dropping over the 5 year period as a result of efficiencies. There is a negative position on cash flow in year 1 but the closing balance remains strong over the period.

HOUSING 5 YEAR CAPITAL PROJECTIONS
Mid Suffolk District Council

Year	2017.18	2018.19	2019.20	2020.21	2021.22
£'000	**1**	**2**	**3**	**4**	**5**
EXPENDITURE:					
Planned Variable Expenditure	-1,391	-1,825	-1,755	-1,655	-1,340
Planned Fixed Expenditure	-2,033	-1,770	-1,835	-1,930	-2,242
Disabled Adaptations	-200	-200	-200	-200	-200
Other Capital Expenditure	-3,772	-4,034	-4,308	-4,768	-5,250
New Build Expenditure	-619	-80	0	0	0
Total Capital Expenditure	**-8,016**	**-7,909**	**-8,097**	**-8,554**	**-9,032**
FUNDING:					
Major Repairs Reserve	2,333	3,795	3,769	3,706	3,374
Right to Buy Receipts	840	856	709	709	709
Other Receipts/Grants	0	0	0	305	154
HRA CFR Borrowing	115	0	0	0	0
HRA Reserves	1,132	1,210	1,292	1,431	1,575
Revenue Contributions	3,597	2,048	2,327	2,404	3,220
Total Capital Funding	**8,016**	**7,909**	**8,097**	**8,554**	**9,032**

Table 6

Capital spending remains constant throughout the life of the plan although in the current year planned expenditure has been lowered pending the outcome of stock condition and asset appraisal work.

SCENARIO TESTING

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 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 greatest risk to the sustainability of the HRA at this time is the levy on the sale of high value assets (HVAs). In the autumn statement 2016 the Government announced that the levy would not be introduced in 2017/18. The size of the levy remains unclear at the time of writing and, because of this uncertainty, we have not built any assumptions into the financial plan relating to it, on advice from the CIH.

Table 7 - Sensitivities against the base Business Plan

Sensitivity	**Year 30 HRA Base Position £m**	**Year 30 ("Cost") / Benefit to HRA £m**
Base Position	71.2	-
High Value Asset Levy £750k	49.4	(21.8)
1% increase in CPI from 20/21	132.8	61.6
1% reduction in CPI from 20/21	24.9	(46.3)
1% annual increase in capital programme building costs	24.1	(47.1)
Rents increased only by CPI	13.9	(57.3)
2 extra Right to Buy sales per year	68.8	(2.4)
5 less Right to Buy sales per year	77.2	14

Table 7

5. GROWTH AND BUILDING NEW COUNCIL HOMES

A development programme of 38 homes for rent and shared ownership is already underway and there is financial capacity within the HRA to develop a further 60 homes. We will fund this pipeline 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

Although MSDC has no tangible headroom beyond the projected 98 homes, planning for future headroom and development still needs to be undertaken. While we build our intelligence base to inform longer term development plans, we have the following development and acquisition activity happening already:

- We have commissioned a desk top exercise which will identify all existing HRA land and potential regeneration opportunities. These opportunities will then be appraised to create a pipeline of estate regeneration based delivery
- We are working with private developers to secure direct purchase of new build homes to utilise RTB receipts and ensure the viability and sustainability of such acquisitions
- 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 Needham Market may provide opportunities for HRA investment in housing. Options for the site will be developed in late 2017.

6. INCREASING FINANCIAL CAPACITY AND IMPROVING EFFICIENCY

HRA COST REDUCTION STRATEGY

Financial analysis shows that operational efficiency gains of £300,000 over a 3 year period starting from 2018/19 will prevent a potential breach of the debt cap in the Mid Suffolk HRA.

The Supported Living team has developed an efficiency plan to deliver these savings.

There is no pressing financial need for the Babergh HRA to operate more efficiently and one approach could be to deliver different service level to residents in the two Councils based on what the HRA can afford. The approach being taken, however, is to avoid differential service level, because of the operational complexities and inefficiencies this would create. The aim instead is to maintain the same service levels across the two Councils and for Babergh to also benefit from any operational efficiencies achieved.

There will continue to be very different levels of new Council house building/acquisition across the two Councils because of the underlying differences in financial capacity.

The operational efficiencies that the Supported Living team have identified and plan to deliver over the 3 year period are:

Sheltered Housing Service Charges
The recent review showed that existing sheltered housing service charges fell far short of recovering the cost of delivering sheltered services.

For 2017/18, a 30% increase with a £4 cap has been approved by the Council. The charges could be increased by the same amount in 2018/19. This will result in additional income to MSDC of £54,000 in 2017/18 and £60,000 in 2018/19.

Sheltered Housing Salary Costs
A review of the staffing levels was also undertaken as part of the changes proposed to sheltered housing schemes. The approved changes will result in a reduction in staff numbers resulting in a saving of £51,000 in 2017/18 and a further £20,000 in 2018/19.

BMBS/Property Services
Savings of around £100k per council for the 3 financial years 2018/19 to 2020/21 can be realistically achieved through improved procurement.

Lettable Standard
The lettable standard for both councils has been aligned but is currently being value engineered as part of this review.

Rechargeable Work and Enforcement
An improved tenant recharge process will ensure that costs incurred through abuse of Council properties will be recovered whenever possible. An estimated additional income £7,500 per year is expected.

Introduction of Service Charges for General Needs Stock

The Councils do not currently charge for services provided over and above those required by statute. Costs incurred by the HRA for services such as grounds maintenance, cleaning, and communal utilities could be recovered from tenants in the form of a service charge. Additionally there are opportunities to consider the introduction of management or caretaking fees that could enhance the service offered to residents.

Further work is required to fully understand the steps and implications of this but there is the potential to recover significant costs from residents receiving services rather than being subsidised by the HRA as a whole.

Void Turnaround Improvement

On average, 200 Council properties are vacated and relet each year in Mid Suffolk. During the time they are untenanted no rent is received and the councils are liable for council tax. Whilst the average time to re-let properties has reduced over the last three years it remains higher than average for social landlords. The table below shows the re-let time for all types of property from April 2014.

	2014/15	2015/16	2016/17
MSDC (days)	66	42	35

The table below shows the total lost rent due to void periods. These figures include rent loss relating to properties awaiting sale and those which are vacant pending demolition.

	2014/15	2015/16	2016/17
MSDC (£)	291,730	265,298	195,377

A reduction of 7 days in the average void time would reduce rent loss by around £16,000. It would also reduce the amount of council tax payable by the HRA by around £3,500.

The re-let process involves a number of different activities and members of staff in different teams and roles. It involves administrative tasks relating to the ending of one tenancy and the commencement of a new one, visiting the property prior to vacation, carrying out safety checks and bringing properties to the councils' agreed lettable standard and allocating to a new tenant.

Ensuring that the new process is lean and efficient and minimises delays is key to reducing the void time and is the first area of performance improvement focus following the launch of BMBS.

Target for reduction of void times

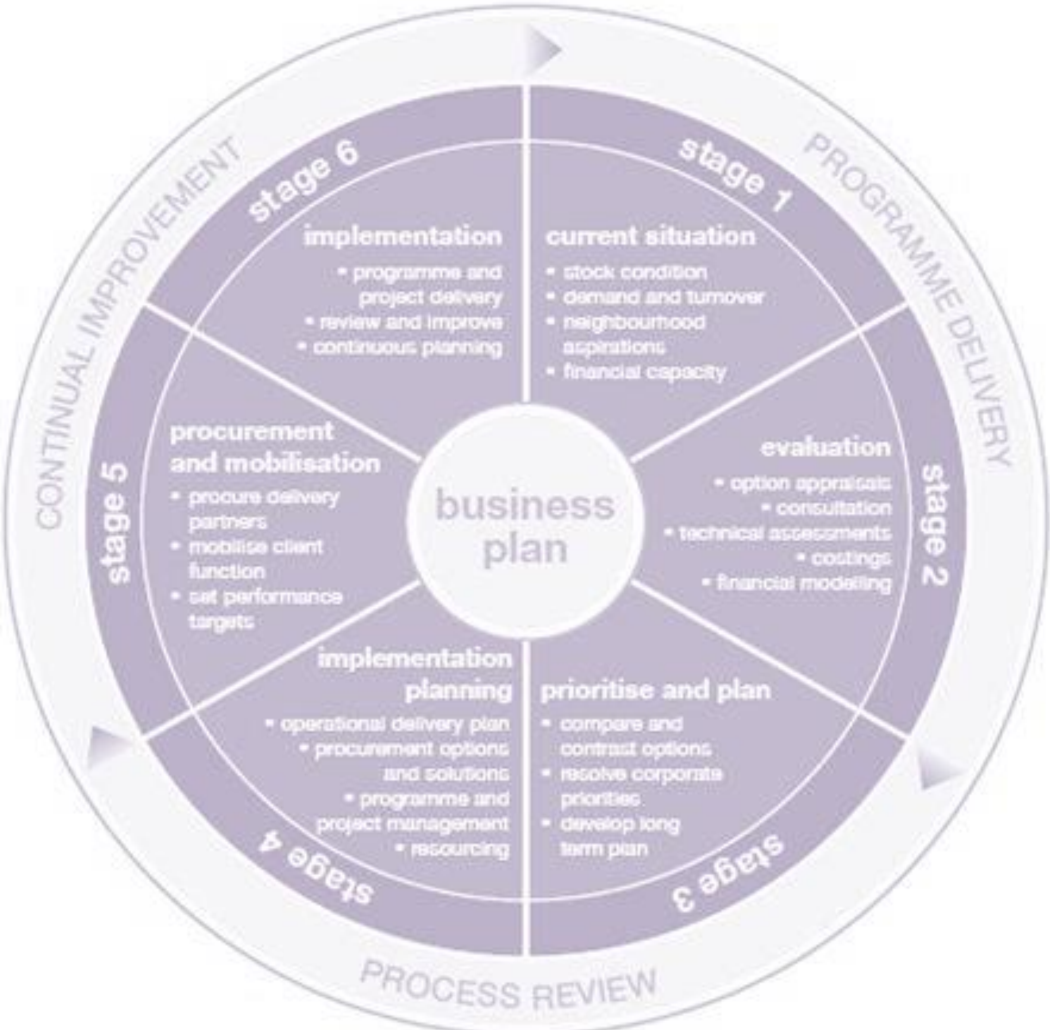
	2017/18	2018/19	2019/20
MSDC (days)	35	28	21

In order to achieve an average re-let time of 21 days repair work and safety checks will need to be completed within 15 days.

Understanding the contribution of individual assets

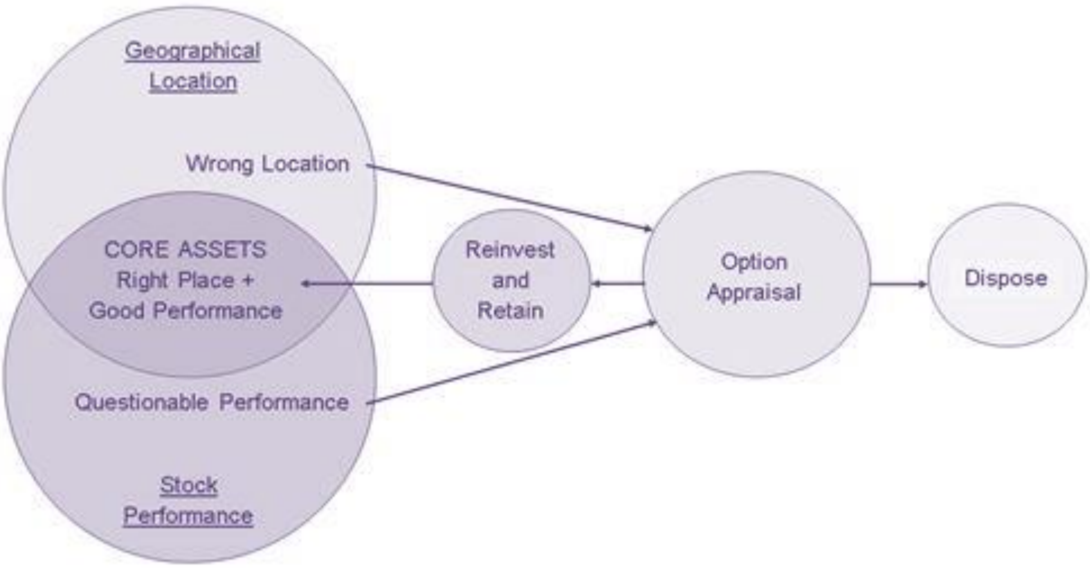
Currently we have no comprehensive HRA asset management strategy. We cannot determine where and how best to invest in our stock and although we are ‘data rich’ we are ‘business intelligence poor’. Although it might be tempting to solve immediate funding issues with sales, selling the ‘right’ stock is the key to good asset management. Our proposed approach to asset management planning will be based around an asset management wheel (set out below). Simplistically, this requires that we:

- Understand where we currently are with our assets
- Decide where we want to be
- Agree what resources are available
- Establish the options for moving from where we are to where we want to be
- Prioritise and plan (on the basis they will never have enough resources or time to do everything), and
- Implement agreed plans



All these activities must link back to the business plan, funding arrangements and strategic options appraisal. In order to start this planning process effectively, we need to have a detailed understanding of how all our HRA assets perform. This mirrors the work that has been undertaken on the General Fund assets side. Such an assessment will need to draw data from different sources as shown in the diagram below:

The outcomes of this model will inform the strengths and weaknesses of the different stock groupings, using a series of Asset Strategic Efficiency Tests. Once the model is completed, it will provide us with a range of asset groupings, which will inform future option appraisals beyond this initial work. This is shown diagrammatically below:



Effective asset management requires a complete and thorough understanding of the contribution that each asset makes. It will be the case in any portfolio that some assets will contribute strongly financially, others on the margin of profitability and a smaller percentage will be loss making. We plan to grade our assets in the same way that we achieved with general fund assets and carry out options appraisals on those that are loss making. This may result in a re-configuration, regeneration, redevelopment or a disposals programme of assets once complete.

This work can be carried out in advance of new stock condition data being available since this data forms only a small element of the overall analysis. This work will be commenced in early summer 2017.

Improved ways of working
At the core of the All Together Project is an increased investment in technology to enable over time:

- More efficient working practices
- Increased use of data
- Better customer insight
- Understanding what our customers value and what they do not
- more effective targeting of services
- Encouraging self-service for those that are able in order to free up resource to make savings or focus on those that really need our help.

We are already reviewing the way we are structured to deliver housing services. This includes a reassessment of:

- The way we handle reports of ASB
- Focussing our work on those that need us most by piloting an 'Early Help Delivery Team' comprising a multi-disciplinary, integrated approach.

This approach is in line with a move to more outcome focused working proposed in the future vision for housing.

Improved stock condition data
Robust stock condition data enables the Councils 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.

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. A fresh sample stock condition survey will be commissioned for MSDC in 2017/18.

Increasing Rental Income
There are restrictions on rental income increases and the current rent regime requires a 1% reduction in rent payable until 2019/2020. This may change with any new Government but cannot be guaranteed.

As with service charges, our processes for charging and collecting rent and the policy of increasing rental income needs improving. There may be opportunities with a strong new build programme to increase rental streams on wider stock as some Councils appear to have done. A review of the opportunity for this and the development of a comprehensive 'Rent and Service Charge Policy' will be undertaken in 2017.

In particular we will review the way in which void properties are treated and how and when rents can be raised on re-let. This is linked to capacity and grant funding for new build homes and our development programme might facilitate that. It is not possible simply to raise all rents on re-let to 80% of market rent without a link with capacity for new homes being established.

It will be possible to consider some homes for conversion to shared ownership where planning considerations and any historic covenant and funding considerations allow. Permission and guidance will be sought from DCLG on larger scale transfer of stock into shared ownership to inform a policy discussion.

Summary HRA Efficiency Gains Plan

Identified actions	17/18	18/19	19/20	20/21
Sheltered Housing				
Increase in Service charges as part of Budget setting process	(54)	(60)		
Reduction in salaries following sheltered scheme review	(51)	(20)		
Rents from GF for using Sheltered Housing Accommodation as Landing Points		(9)		
Leaseholders				
Increase in Service charges as part of leaseholder review		(8)		
General Service Charges Increase		(17)	(17)	(17)
Rechargeable works to be invoiced to private tenants		(5)		
Voids				
Reduction in number of void days to 21 over four years thereby increasing rental income		(10)	(10)	(10)
Assets earmarked for potential development are not void until ablsolutely necessary thereby increasing rental income		(9)		
Property Services				
Recharging Health and Safety employee costs when used by other ODT's		(7)		
Components costs reduction following tender coming up for renewal		(30)	(30)	(40)
	(105)	**(175)**	**(57)**	**(67)**

7. BABERGH AND MID SUFFOLK BUILDING SERVICES (BMBS)

The BMBS business plan and its operations have been the subject of a rigorous review and the financial projections originally reported have been revised and incorporated into the HRA financial plan. The revised projections can be found below and now highlights a more challenging position than that anticipated when agreed in June 2016.

BMBS, launched from April 2017, is in a state of transition bringing together, as it does, two different organisations with diverse operating practices. There was an implementation plan produced in advance of amalgamation, and the critical tasks in that plan are being worked through by the new Service Manager recently appointed. The team is aware that for BMBS to be successful, this plan will have to widened and re-visited regularly at a granular level with new tasks added and specific tasks allocated to named individuals.

The original financial projections have been reviewed by the Corporate Manager on joining the team and these updated predictions now push ‘breakeven’ from the originally predicted trading year 2 to a revised year 4. This presents an undoubted challenge for the team but one that could still result in breakeven being brought forward where there is strong leadership, commitment to change and commercial diligence.

The revised financial projection is as follows:

Type of Works	Year 1	Year 2	Year3	Year4	Year 5
Income					
Capital & Planned Maintenance	1,200,000	1,320,000	1,452,000	1,597,200	1,756,920
Responsive	1,374,989	1,374,989	1,374,989	1,374,989	1,374,989
Voids	745,548	745,548	745,548	745,548	745,548
Other Housing Projects	75,000	82,500	90,750	99,825	109,808
Aids & Adaptations	100,000	110,000	121,000	133,100	146,410
Corporate works (General Fund)					50,000
External Income					50,000
Total	**3,495,537**	**3,633,037**	**3,784,287**	**3,950,662**	**4,233,675**
Expenditure					
Office Employee Costs	265,000	267,650	270,327	273,030	275,760
Manual Employee Costs	1,300,000	1,313,000	1,326,130	1,339,391	1,352,785
Other Employee Expenses	1,800	1,818	1,836	1,855	1,873
Premises	12,000	12,120	12,241	12,364	12,487
Transport	160,000	160,000	160,000	160,000	160,000
Materials External Purchase	1,400,000	1,470,000	1,543,500	1,620,675	1,701,709
Sub Contracted Services	463,526	417,173	375,456	337,910	304,119
Support Service charges	147,287	148,760	161,922	163,541	165,176
Other Supplies & Services	57,000	57,570	58,146	58,727	59,314
Training costs	5,255	5,308	5,361	5,414	5,468
Total	**3,811,868**	**3,853,399**	**3,914,918**	**3,972,907**	**4,038,693**
Surplus/(Deficit)	**-316,331**	**-220,362**	**-130,631**	**-22,245**	**194,982**

These projections have been revised for the latest predicted capital programme and other income including the removal of external income and a reduced pipeline of work on general fund assets as a result of the move to Endeavour House.

Bringing the service in-house offers more control over the quality of repairs and removes the risks associated with outsourcing. But given the geography and the number of properties, BMBS will require strong and detailed management and oversight. The throughput of planned works, a major component of turnover is of great importance. The plans for new stock condition surveys and the potential for a resulting strong planned programme of improvements will help with this viability.

There is a back-log of repairs to be tackled accounted for within the financial plan. The senior BMBS team will be working immediately with the in-house procurement team to set up framework agreements with Sub-Contractors, which when combined with the potential to increase efficiencies through the adoption of work scheduling software, will allow for the work to be completed more quickly.

The level of staff resources is appropriate to discharge the volume of work projected however extra admin, technical and strategic support might be required in the short term to deliver earlier successes. This extra support is allowed for within the plan and held currently as vacant posts. The new Corporate Manager will be exploring what this means practically and request support as the need emerges. The improvement in comprehensive performance and management information at both a commercial and operative level will be also necessary to achieve short term productivity improvements.

Other commercial decisions will have to be taken over the first few years of trading to support the business. Spend on materials is currently high and the differential salaries between the existing team and TUPE'd staff also has a significant impact. Reducing the impact of these overheads could see an earlier improvement in surplus and productivity. A comprehensive list of actions to support BMBS trading is as follows:

1. A major issue to consider is that, on the one hand, BMBS employ staff based upon Council Terms and Conditions whereas TUPE transfer staff are on quite different and less preferential terms. In addition to potential discontent that this might cause, this disparity over time will lead to increasing costs rather than a reduction. Terms and conditions will therefore need reviewing.

2. The cost of materials is currently budgeted at 38% which is high for an organisation of BMBS's size and scale of operation. Early consideration will be given to gaining access to a buying consortium to reduce the costs to a more industry standard 22-25%.

3. One of the key principles of establishing and running an efficient business surrounds the approach to management culture and how the business is managed and operated. It must have a commercial focus and this demands the introduction of a trading account and management information systems to ensure it is properly populated and interrogated.

4. In order that the organisation over time can take advantage of external business opportunities consideration will be given to where the organisation 'sits' in the Councils' structures in future. The case for taking BMBS outside of the HRA will be considered within the first 3 years of trading as performance becomes understood. This will take the form of a full market assessment.

5. A number of operational issues will need to be reviewed to ensure that BMBS operates efficiently in early years of trading, in practice this will require an analysis and understanding of the geography of the operation, where subcontract work might be best deployed, an agreement on repairs processes, service agreements and the specification to be applied to activity such as voids and repairs.

6. Although the operational team is considered appropriate for the size of operation the Service Manager will need some additional support in the short term to deliver some of the key strategic, implementation and business planning outcomes required to make the operation a success. A recommendation for the extent of that support will come forward in the first 6 months of trading. In particular this support will help with points 9) and 10) below.

7. The BMBS team will work with the wider HRA team to develop a clear and appropriate pipeline of planned works for the years ahead. Not only is a strong planned programme important to maintain high quality homes but a well-defined ‘order book’ is essential to maintain the trading strength of BMBS and help it plan for its future. Stock condition surveys planned for 2017 and 2018 will inform these new programmes.

8. The BMBS team will in future work closely with the business and financial planning team to ensure that when the HRA plan is reviewed annually that all implications of BMBS can be taken into account in its development.

9. A rigorous external review has been undertaken of BMBS and the team will now develop an implementation plan to take the operational recommendations of that review forward in a planned way and developed within 6 months of trading.

10. All the above will need to be incorporated in a 5 year Business plan specifically for BMBS reviewed annually and completed within year 1 of trading.

8. THE HOUSING SERVICE

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.

Our objective is for the Councils to have improved ways of working that are better for our residents, simpler for our staff and more cost effective for the tax payer, which make it easy for anyone to do business with the Councils, through channels that:

- Are effortless to navigate
- Promote individual and community self-service
- Are available when the customer requires them
- Make work more straightforward and enjoyable for our staff
- Reduce confusion for the public about who does what across the Suffolk System.

The Councils' Public Access Strategy devolves control and responsibility to residents. It fosters community resilience and will enable us to learn from each interaction through utilisation of CRM software. 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. Together with developing self-service options, this will mean we can focus more attention on those that really need our help, be more productive, thereby increasing the financial capacity of the HRA.

Tenancy Services Review
We plan to review the way we are structured to deliver tenancy services. This will include a reassessment of:

- The way we handle reports of ASB
- Focussing our work on those that need us most by piloting an 'Early Help Delivery Team' comprising a multi-disciplinary, integrated approach.

Home Ownership Project
The Home Ownership project will implement the recommendations of the HQN review of 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. The anticipated deliverables are:

- Reduced costs
- Increased revenues
- Improved service delivery
- Mitigating risk through compliance with legislation

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 a 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.

Mid Suffolk DC sheltered housing

The County wide Older Persons Housing Vision will guide future recommendations Members will receive regarding its sheltered housing. In December 2016, the Councils approved a new strategy for sheltered housing. Key deliverables of the new strategy are:

- To withdraw sheltered services where there is no demand and convert to general needs housing
- Reduction in the number of schemes
- Providing independent living for the over-60s with minimum housing related support.
- A cost effective service that remains within budget through a more robust service charging regime.
- 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.

Fixed term tenancies

The Council currently offers new tenants a secure tenancy under the Housing Act 1985. The Localism Act gave local authorities the power to offer fixed term tenancies to new tenants. Subsequent provisions in the Housing and Planning Act 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
- New processes for carrying out reviews during the fixed term and an appeal procedure for challenges to decisions
- 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.

9. BUSINESS PLAN OWNERSHIP AND REPORTING

The Assistant Director (Supported Living) owns and is responsible for the HRA business plan. This involves:

- Maximising the contribution the HRA makes to delivery of the outputs in the JSP
- Producing the HRA business plan
- Keeping the business plan up to date with changes in the operating environment
- Identifying and mitigating new risks
- Engaging with and informing members, senior staff and residents on HRA performance and annual business plan reviews
- Reporting on HRA outputs to members and the senior leadership team as required
- Maintaining a knowledgeable and responsive HRA business plan team instigating training as required
- Engaging with internal and external advisors
- Benchmarking HRA business plan performance

Appendix A – Summary Improvement Plan

Ref	Item	Detail	Target Completion
A	HRA Business Plan Assumptions	Review annually in light of the prevailing policy and market environments	January 2018
B	Scenario Test	Devise and test scenarios annually in light of the prevailing policy and market environments	January 2018
C	Development Pipeline	Work with the Investment and Commercial Delivery team to take results from HRA land assessment work and develop a pipeline for new home delivery	September 2017
D	Sheltered Housing Review	Deliver findings from December 2016 review	April 2018
E	Property Services/BMBS materials procurement	Review local and regional opportunities for membership of buying consortia with the aim of making £100,000 of savings in materials costs each year for 3 consecutive years from April 2018	April 2018 and annually thereafter until 2021
F	Lettable Standard	Complete a review of the 'lettable standard' and implement new standard	December 2017
G	General Needs Service Charges	Undertake review of charges to GN tenants and develop a methodology for de-pooling rents and service charges.	January 2018
H	Voids	Undertake a complete review of the voids process with a view to bringing achieve a maximum 21 day turnaround of all voids.	September 2017
I	Asset Understanding	Complete a comprehensive asset grading exercise and understand the contribution that each asset makes to the overall portfolio in both financial and qualitative terms.	September 2017
J	Asset Options Appraisal	Undertake options appraisal on the bottom 10 worst performing assets and devise a strategy for each	December 2017
K	Stock Condition	Undertake a stock condition survey	April 2018
L	Asset Management Strategy	Develop and seek approval for a comprehensive HRA asset management strategy	December 2017
M	Rent and Service Charge Policy	Review of how and to what extent rents are set including following void periods. Develop and seek approval for a comprehensive rent and service charge setting policy. Assess the market and options to convert void homes to shared ownership.	December 2017
N	Tenancy Services	Undertake a review of the way in which tenant services are delivered to include a review of costs and delivery mechanisms	December 2017
O	Tenancy Agreement	Undertake a review with a view to moving towards fixed term tenancies for tenants. Develop new policy and implement	April 2018
P	Compliance	Undertake a review of all regulatory compliance within the HRA and develop a plan for improvement.	June 2017